

Carteret County, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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 22, 2011

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, 2011.

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, 2011 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, 2011, 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 65,050 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 34 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. the special revenue funds and the capital projects funds).

Factors Affecting Financial Condition

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

Local Economy

The County economy continues to be slightly better than the national economy and the state’s economy. Annual unemployment average was 8.35% for the County compared to 8.39% in the prior year, and those rates are lower than the state’s average unemployment rate of 9.88%. Even in the recession, the tourism industry continues to perform well with an average annual economic impact of \$271.30 million, a 6.59% increase from the previous year. Carteret County ranks thirteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, and the construction trades.

Industrial Parks

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

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

Morehead City State Port

The Morehead City Port is one of the deepest ports on the east coast with a forty-five foot depth and only four miles from the Atlantic Ocean. The port handles both break bulk and bulk cargo and is the second largest importer in the country for natural rubber. Commodities such as rubber, phosphate, lumber, steel, and wood pulp go through the port. In 2011 the port's completed the rehabilitation of the wood chip facility and was the result of a \$1.5 million joint venture between Cogent Fibre and Industrial Marine Services. Cogent Fibre has been debarking and chipping timber sourced from areas in eastern North Carolina at the Morehead City Port since April 2011.

Retail

Retail continues to expand in Carteret County. The County continues to see modest expansion in chain restaurants and retail. Some highlights of expansion last fiscal year included construction of Dick's Sporting Goods, and Five Guys Burgers.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2011:

Employer	Service	Approximate Number of Employees
Carteret County Public Schools	Education	1,140
Carteret General Hospital	Medical	1,030
Carteret County	Government Service	571
NC Department of Transportation	Transportation	550
Wal-Mart	Retail	425
Carteret Community College	Education	365
NC Natural Resources & Community Development	Government	278
U.S. Coast Guard	Military	273
Lowe's Home Improvements	Retail	250
Lowe's Foods	Retail	190

Source: Carteret County Economic Development Council, second quarter 2010

Long-Term Financial Planning

The County's operating budget for the fiscal year ending June 30, 2012 totals \$89,275,004 with a tax rate of \$.30 per \$100 of assessed value, based on a total valuation of \$15.09 billion. The County's four year revaluation is effective this fiscal year, and it resulted in a 19.01% decrease in property values from the fiscal year ending 06/30/11. The County adopted a general fund revenue neutral tax rate of \$.30 per \$100 of assessed value. For the County's operating budget for the fiscal year June 30, 2013, it is anticipated that the tax rate would need to be between \$.30 and \$.31 per \$100 of the current assessed value to maintain the current level of service.

The County may elect to use available fund balance for some capital projects and improvements, but such use will be within the constraints of the County's fund balance policy, which requires the County to maintain a 15% unassigned fund balance in the General Fund.

Major Initiatives

The County continues to fund construction and building improvements to our county schools. There is \$9.71 million of general obligation bonds authorized but unissued from the November 2005 referendum. The County anticipates issuing approximately \$4 million of that authority sometime in 2012.

The County continues its major initiatives in the fiscal year 2011 budget to improve emergency communications. The fiscal year 2012 budget funds communication equipment for law enforcement.

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

Award and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Carteret County for its Comprehensive Annual Financial Report for the year ended June 30, 2010. This was the fourteenth 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, 2011. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Much appreciation is expressed to the Finance Department's staff and McGladrey & 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, 2011

BOARD OF COMMISSIONERS

DOUGLAS HARRIS

Chairman

Atlantic Beach, North Carolina

HOLT FAIRCLOTH
Morehead City, North Carolina

ROBIN COMER
Emerald Isle, North Carolina

PAT JOYCE
Beaufort, North Carolina

GREGORY LEWIS
Vice Chairman
Morehead City, North Carolina

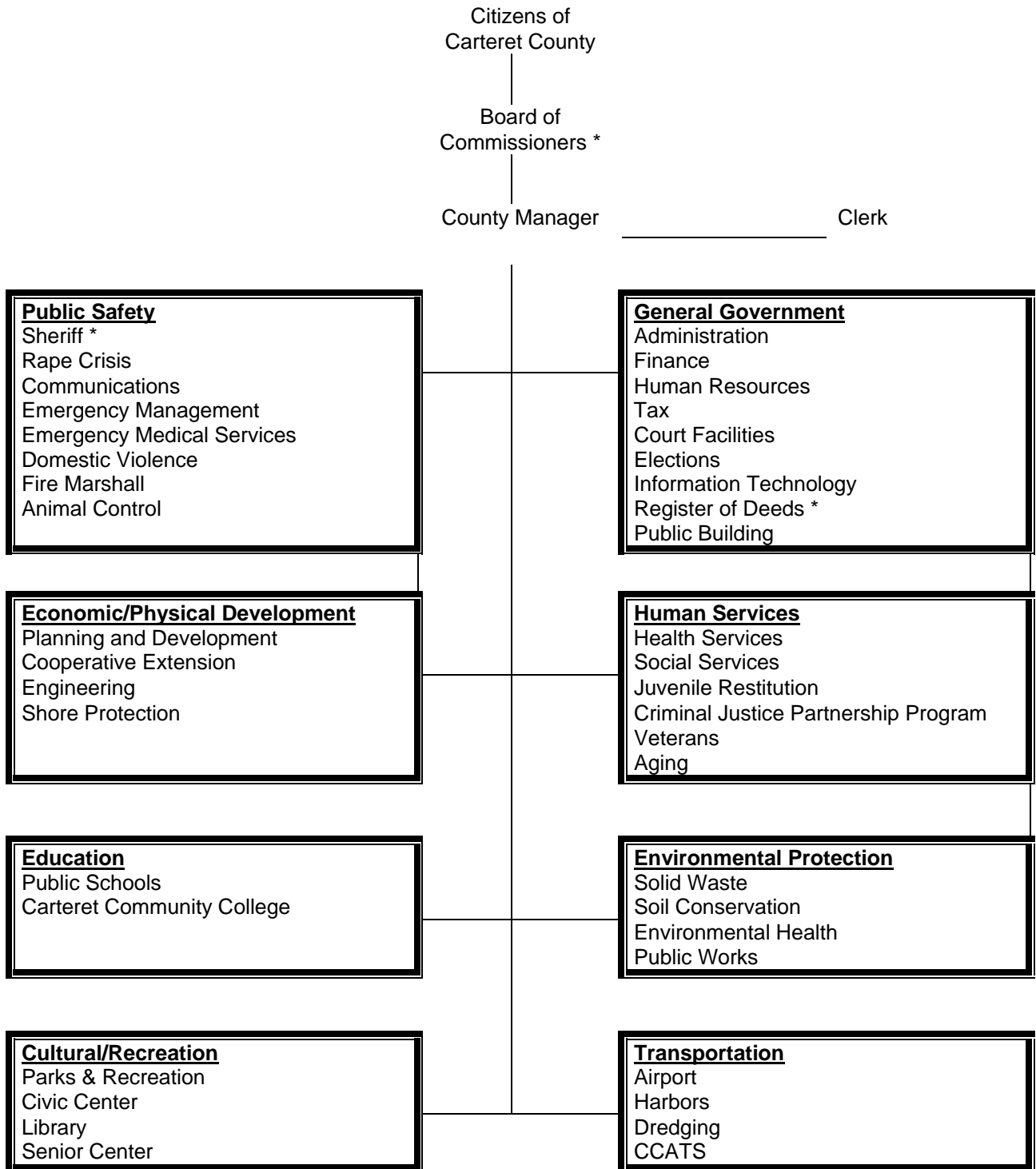
BILL SMITH
Newport, North Carolina

JONATHAN ROBINSON
Atlantic, North Carolina

COUNTY OFFICIALS

W. Russell Overman	County Manager
Dee H. Meshaw	Assistant County Manager Finance & Administration
Vacant	Assistant County Manager Public Facilities
Asa Buck III	Sheriff
Joy Lawrence	Register of Deeds
J.T. Garrett	Health Director
Jim Jennings	Planning & Development Director
David Atkinson	Social Services Director
Jo Ann Smith	Emergency Management Director
Myles McLoughlin	Human Resources Director
Betty Fentress	Parks & Recreation Director
Carl Tilghman	Tax Administrator
Vacant	Information Technology Director

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

**MAP OF
CARTERET COUNTY, NORTH CAROLINA**

Carteret County North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Davidson

President

Jeffrey R. Emer

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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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina (the "County"), as of and for the year ended June 30, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of June 30, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund thereof 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 22, 2011 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 Required Supplementary Information on pages 15 through 25 and 84 through 87, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 listed as "other supplementary information", 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 and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements of Carteret County, North Carolina. The combining and individual fund financial statements and schedules listed as "other supplementary information" 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 22, 2011

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2011

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, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

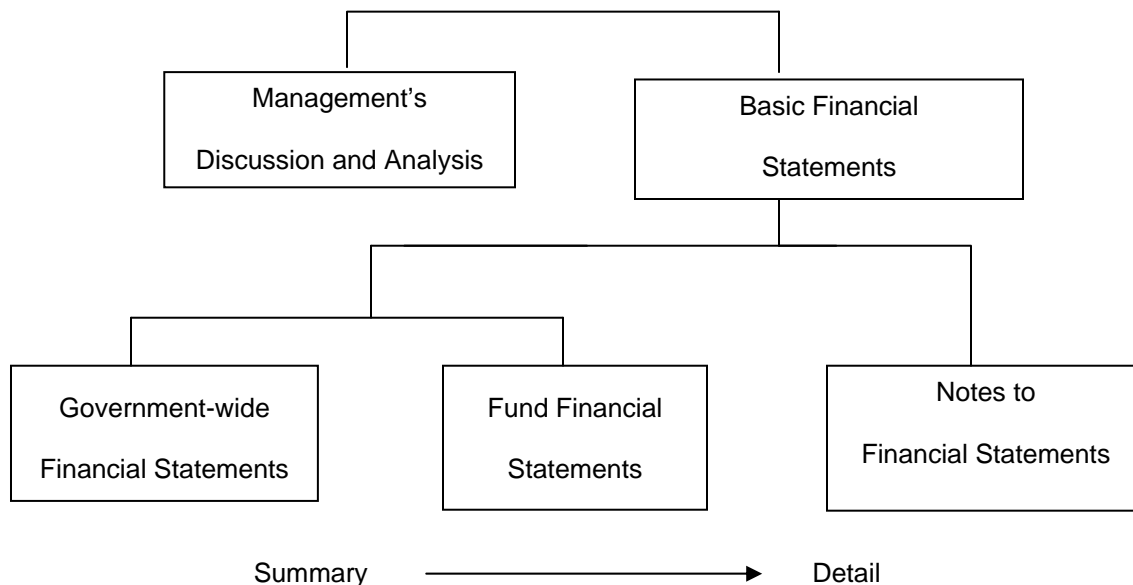
- The assets of Carteret County (primary government) were greater than its liabilities at the close of the fiscal year by \$13,983,948 (*net assets*).
- The government's total net assets increased by \$2,907,009, primarily due to increased governmental activities in the General Fund.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$52,510,292, after a net increase in fund balance of \$616,074. Approximately 52.4 percent of this total amount, or \$27,528,926 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$21,762,773 or 30.64 percent of total General Fund expenditures, excluding other financing uses, for the fiscal year.
- The County's total long-term debt (Figure 5) increased by \$63,755 due primarily to the issuance of new business type debt of \$1,046,000 which was offset by retiring debt principal.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for one year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

The next section of the basic financial statements is the **notes**. The notes to financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension and other postemployment benefit plans.

After the required supplemental information, additional **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

The government-wide financial statements are on pages 27 – 30 of this report.

Fund Financial Statements

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

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

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2011

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The governmental fund financial statements are on pages 31 – 34 of this report.

Proprietary Funds – The County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. The proprietary fund financial statements are on pages 35 – 38 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has three agency funds. The fiduciary fund financial statements are on page 39 of this report.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are on pages 41 – 80 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 84 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 \$13,983,948 as of June 30, 2011. The County's net assets increased by \$2,907,009 for the fiscal year ended June 30, 2011. Net assets are reported in three categories: invested in capital assets, net of related debt of \$30,101,831, restricted net assets of \$24,524,242, and unrestricted net assets (deficit) of (\$40,642,125).

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2011

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, 2011, the total unrestricted net assets reported a deficit of \$40,642,125. Of the County's net assets, \$24,524,242 represents resources that are subject to external restrictions on how they are to be used.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds, general obligation debt, and installment debt. The assets are funded by the County; however, the assets are owned and utilized by the school system and the community college, and are reported by those entities. 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 \$70.07 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 60,938,553	\$ 60,117,330	\$ 697,149	\$ 887,652	\$ 61,635,702	\$ 61,004,982
Capital assets	28,337,028	27,068,669	7,598,188	6,742,188	35,935,216	33,810,857
Total assets	89,275,581	87,185,999	8,295,337	7,629,840	97,570,918	94,815,839
Long-term liabilities						
outstanding	75,141,513	75,357,792	3,536,102	2,659,571	78,677,615	78,017,363
Other liabilities	4,746,283	5,041,013	163,072	680,524	4,909,355	5,721,537
Total liabilities	79,887,796	80,398,805	3,699,174	3,340,095	83,586,970	83,738,900
Net assets:						
Invested in capital assets, net of related debt	26,022,027	24,050,669	4,079,804	4,098,772	30,101,831	28,149,441
Restricted	24,524,242	15,431,921	-	-	24,524,242	15,431,921
Unrestricted	(41,158,484)	(32,695,396)	516,359	190,973	(40,642,125)	(32,504,423)
Total net assets	\$ 9,387,785	\$ 6,787,194	\$ 4,596,163	\$ 4,289,745	\$ 13,983,948	\$ 11,076,939

Carteret County, North Carolina

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Governmental activities: Governmental activities increased the County's net assets by \$2,600,591 from fiscal year 2010. Key elements of this increase are as follows:

- Governmental activities property taxes increased approximately \$.63 million from fiscal year 2010. The County maintained the same General Fund ad valorem property tax rate of twenty-three cents per \$100 assessed value from fiscal year 2010 to fiscal year 2011.
- Decreases in other taxes were approximately \$29,000 from the prior fiscal year. The sales tax decreases were \$225,711 due to the final three months of the ¼ percent levy loss of Article 44 as a result of the State taking over a portion of the County's Medicaid burden. Occupancy taxes increased \$196,698.
- Governmental activities charges for services increased \$255,057 from the previous fiscal year. This was primarily due to increases in Register of Deeds fees, public safety charges, civic center charges, and health center charges in human services.
- Operating grants and contributions increased \$622,240. This increase was due to Homeland Security grants and increased Department of Social Services funding.
- Capital grants and contributions increased \$267,317 from the prior fiscal year. The increased funding purchased transportation vehicles and this funding was not received last fiscal year.
- Education expenses decreased approximately \$3.36 million from the prior year due to changes in operation and building renovation expenditures. Payments to the Schools and Community College for operating expenditures decreased a net amount of \$.24 million and payments for renovation and construction expenditures decreased approximately \$3.12 million.
- Public safety expenses increased approximately \$2.18 million from the prior fiscal year. The increases were due to Homeland Security grant funding, as well as operating and completing the Consolidated 911 Center.
- Human services expenses increased \$642,412 from the prior fiscal year. The increase was due to the County operating child support collections, a mandate from the State. The County began providing this service July 1, 2010.

Business-type activities: Business-type activities increased the County's net assets by \$306,418. The primary factor for the increase was due to fee revenues that were greater than projected and some expenses such as maintenance, and supplies were less than anticipated.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)
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The County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 5,295,797	\$ 5,040,740	\$ 457,668	\$ 564,172	\$ 5,753,465	\$ 5,604,912
Operating grants and contributions	12,366,035	11,743,795	-	-	12,366,035	11,743,795
Capital grants and contributions	504,310	236,993	384,395	15,605	888,705	352,598
General revenues:						
Property taxes	51,159,340	50,528,632	-	-	51,159,340	50,528,632
Other taxes	16,647,121	16,676,134	-	-	16,647,121	16,676,134
Other	1,158,624	1,957,228	8,679	15,722	1,167,303	1,972,950
Total revenues	87,131,227	86,183,522	850,742	695,499	87,981,969	86,879,021
Expenses:						
General government	6,290,765	6,369,989	-	-	6,290,765	6,369,989
Public safety	19,094,741	16,919,404	-	-	19,094,741	16,919,404
Transportation	1,107,365	907,113	-	-	1,107,365	907,113
Economic and physical development	4,925,627	4,469,445	-	-	4,925,627	4,469,445
Environmental protection	3,274,042	3,130,735	-	-	3,274,042	3,130,735
Human services	15,713,990	15,071,578	-	-	15,713,990	15,071,578
Cultural and recreation	2,108,234	4,198,808	-	-	2,108,234	4,198,808
Education	28,623,466	31,982,375	-	-	28,623,466	31,982,375
Interest on long-term debt	3,087,406	3,197,911	-	-	3,087,406	3,197,911
Water	-	-	849,324	798,432	849,324	798,432
Total expenses	84,225,636	86,247,358	849,324	798,432	85,074,960	87,045,790
Increase (decrease) in net assets before transfers	2,905,591	(63,836)	1,418	(102,933)	2,907,009	(166,769)
Transfers	(305,000)	(205,000)	305,000	205,000	-	-
Increase (decrease) in net assets	2,600,591	(268,836)	306,418	102,067	2,907,009	(166,769)
Net assets, July 1,	6,787,194	7,056,030	4,289,745	4,187,678	11,076,939	11,243,708
Net assets, June 30	\$ 9,387,785	\$ 6,787,194	\$ 4,596,163	\$ 4,289,745	\$ 13,983,948	\$ 11,076,939

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, 2011

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance unassigned in the General Fund was \$21,762,773, while total fund balance reached \$43,426,021. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The County currently has an unassigned fund balance of 30.64 percent of general fund expenditures, while total fund balance represents 61.14 percent of that same amount.

At June 30, 2011, the governmental funds of the County reported a combined fund balance of \$52,510,292, a 1.19 percent increase from last year. The primary reason for this increase is due to the increase in fund balance in the General Fund.

General Fund Budgetary Highlights

During fiscal year 2011, the County's financial picture was fair. Revenues were more than budgeted by \$91,333. Sales taxes and intergovernmental revenues were \$1,092,030 greater than budgeted; however, it is offset by \$1,000,697 of all other revenue sources that were less than budgeted. The primary revenues that were less than budgeted were ad valorem taxes, investment earnings, and permits and fees. Through conservative management and prioritizing our expenditures and capital outlay, the County finished the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$1,103,139 and appropriations by \$2,580,029. The appropriations increase was mostly due to the increases in general government, public safety and the County's human services departments.

The County's expenditures were less than the budgeted amount by \$2.93 million, and most of the savings are in the human services programs of \$.78 million, as well as general government, public safety, economic and physical development, environmental protection, and culture and recreation.

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
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Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year were \$516,359. The primary factors affecting the finances of this fund were water fees greater than anticipated as well as investment earnings and various operating expenses such as maintenance and small equipment that were less than budgeted. As in previous years, the Water Fund is not self supporting and continues to rely on transfers from the General Fund. The transfer for fiscal year 2011 was \$305,000 compared to \$205,000 for fiscal year 2010.

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, 2011, totals \$35,935,216 (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and water plant and lines.

Major capital asset transactions during the year include:

- Park improvements, such as completing the development of Fort Benjamin Park in Newport.
- Purchase of vehicles in departments including six Sheriff Department vehicles.
- The Emergency Operation Center began in fiscal year 2010, and was completed in fiscal year 2011.
- Water fund assets included the purchase of land and construction in progress for water system improvements. The total estimated cost of improvements at completion is \$3.51 million.

The County's Capital Assets

Figure 4

Additional information on the County's capital assets can be found in Note 5 of the basic financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,277,196	\$ 5,129,985	\$ 70,298	\$ 70,298	\$ 5,347,494	\$ 5,200,283
Buildings	12,432,529	13,175,312	1,577,675	1,648,317	14,010,204	14,823,629
Water lines	-	-	4,339,414	4,404,513	4,339,414	4,404,513
Vehicles	938,439	945,964	2,157	5,032	940,596	950,996
Equipment	1,390,585	616,186	40,115	32,156	1,430,700	648,342
Airport facilities	41,302	71,303	-	-	41,302	71,303
Other improvements	5,767,939	3,428,986	-	-	5,767,939	3,428,986
Leasehold improvements	2,470,104	1,463,180	-	-	2,470,104	1,463,180
Construction in progress	18,934	2,237,753	1,568,529	581,872	1,587,463	2,819,625
Total	\$ 28,337,028	\$ 27,068,669	\$ 7,598,188	\$ 6,742,188	\$ 35,935,216	\$ 33,810,857

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
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General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2011, the County had total general obligation bonded debt outstanding of \$48,745,000, 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

	Carteret County's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 48,745,000	\$ 52,330,000	\$ -	\$ -	\$ 48,745,000	\$ 52,330,000
Certificate of participation	5,155,000	5,735,000	-	-	5,155,000	5,735,000
Bond anticipation note	-	-	1,046,000	-	1,046,000	-
Installment note payable	18,489,570	15,135,783	2,472,384	2,643,416	20,961,954	17,779,199
Total long-term debt	\$ 72,389,570	\$ 73,200,783	\$ 3,518,384	\$ 2,643,416	\$ 75,907,954	\$ 75,844,199

The County's total debt increased \$63,755 (excluding deferred amounts) during the past fiscal year. The increase is due to the \$1,046,000 bond anticipation notes issued for the water fund improvements which was offset by debt principal payments. As shown above, governmental installment note payables increased due to the County issuing \$5.6 million in quality zone academy bonds and quality school construction bonds for school building improvements.

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

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

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin at June 30, 2011 for the County is \$1,460,913,647.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 63 - 67 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, 2011, the unemployment rate for the County averaged 8.35%, compared to the 8.39% for fiscal year 2010. This compares favorably to the state's average unemployment rate of 9.88% for fiscal year 2011. Although residential and commercial development is growing slightly, it is growing and has not stopped in the County. Despite this very slow growth in development combined with other revenue losses the County continues meeting its capital needs and demands for services with minimal tax increases. The County maintained its 23 cent ad valorem tax rate in fiscal year 2011. In fiscal year 2008, the County's revaluation was implemented with an adopted 23 cents per \$100 assessed value tax rate; one cent above revenue neutral. The one cent rate increase was necessary to fund School debt service. The County's four year revaluation for real property will be effective for fiscal year 2012.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2011

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: The County has approved a \$75.51 million general fund budget for fiscal year 2012 which represents a \$2.62 million or 3.35% decrease over fiscal year 2011. The net decrease in the budget is primarily the combination of decreasing transfers to other funds approximately 2.29 million. Due to the completion of the consolidated communications center in fiscal year 2011, the transfers to other funds for fiscal year 2012 were decreased. Other functions of government such as general government, public safety, and human services were decreased approximately \$1.04 million. Education was increased approximately \$.71 million. The County's revaluation of real property was completed and implemented in fiscal year 2012. Overall property values decreased \$3.67 billion, or 19.01 percent. The ad valorem tax rate levied per \$100 of assessed value is thirty cents. The Board of Commissioners adopted a revenue neutral tax rate for fiscal year ending June 30, 2012. All revenues are budgeted conservatively, and sales taxes and sales are services are budgeted with small growth from the previous fiscal year. The fiscal year 2012 General Fund budgets \$908,485 fund balance appropriation.

Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$21,858,000 or 29.61% of the fiscal year 2012 budget. This area includes funding for the public school system and the Carteret County Community College. Budgeted expenditures for public education operating expenses increased \$750,000,

Although the Board of Commissioners has reduced county department budgets, the Board continues to invest and meet County needs for fiscal year 2012. The Board has funded replacing vehicles and capital equipment.

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

Requests for Information

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

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Carteret County, North Carolina

Statement of Net Assets
June 30, 2011

Primary Government

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,949,883	\$ 648,061	\$ 11,597,944
Investments	28,653,494	-	28,653,494
Receivables (net)	10,624,689	47,844	10,672,533
Due from component unit	407,781	-	407,781
Internal balances	1,044,773	(1,044,773)	-
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	6,395,324	1,046,017	7,441,341
Investments	2,280,306	-	2,280,306
Deferred charges, debt issuance costs	582,303	-	582,303
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	5,296,130	1,638,827	6,934,957
Other capital assets, net of depreciation	23,040,898	5,959,361	29,000,259
Total capital assets	28,337,028	7,598,188	35,935,216
Total assets	89,275,581	8,295,337	97,570,918
Liabilities			
Accounts payable and accrued expenses	3,874,237	85,691	3,959,928
Accrued interest payable	845,393	11,132	856,525
Customer deposits	-	66,249	66,249
Unearned revenue	26,653	-	26,653
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	7,397,027	1,219,094	8,616,121
Due in more than one year	67,744,486	2,317,008	70,061,494
Total long-term liabilities	75,141,513	3,536,102	78,677,615
Total liabilities	79,887,796	3,699,174	83,586,970
Net Assets			
Invested in capital assets, net of related debt	26,022,027	4,079,804	30,101,831
Restricted for:			
Public Safety	3,712,620	-	3,712,620
Economic Development	10,776,641	-	10,776,641
Cultural and Recreation	94,790	-	94,790
Register of Deeds	311,834	-	311,834
Human Services	931,719	-	931,719
Stabilization by State Statute	8,696,638	-	8,696,638
Other purposes	-	-	-
Unrestricted (deficit)	(41,158,484)	516,359	(40,642,125)
Total net assets	\$ 9,387,785	\$ 4,596,163	\$ 13,983,948

See Notes to Financial Statements.

Component Units

	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ 88,760	\$ 442,329	\$ 52,754,226	\$ 1,030,113
-	-	-	-
45,624	429,664	18,772,130	-
-	-	-	-
-	-	-	-
-	-	3,004,537	1,311,408
3,353	-	1,942,264	32,570
-	-	4,306,809	-
-	-	-	-
-	-	-	-
-	-	2,646,551	-
2,578,806	-	3,751,546	1,080,717
1,768,178	121,897	38,891,516	2,822,353
4,346,984	121,897	42,643,062	3,903,070
4,484,721	993,890	126,069,579	6,277,161
18,565	17,933	14,490,081	1,142,555
-	-	-	-
-	-	-	-
-	-	4,025,513	-
260,069	-	-	147,712
-	4,241	764,515	449,453
-	12,723	1,076,657	1,525,871
-	16,964	1,841,172	1,975,324
278,634	34,897	20,356,766	3,265,591
4,086,924	121,897	40,801,890	1,927,746
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
58,797	-	-	-
-	837,096	478,651	328,176
60,366	-	64,432,272	755,648
\$ 4,206,087	\$ 958,993	\$ 105,712,813	\$ 3,011,570

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,290,765	\$ 1,486,751	\$ -	\$ -
Public safety	19,094,741	186,134	1,725,254	57,660
Transportation	1,107,365	327,244	162,064	251,957
Economic and physical development	4,925,627	511,550	129,447	-
Environmental protection	3,274,042	2,214,925	15,542	-
Human services	15,713,990	330,817	9,274,540	-
Cultural and recreation	2,108,234	238,376	3,242	194,693
Education	28,623,466	-	255,946	-
Interest on long-term debt	3,087,406	-	800,000	-
Total governmental activities	84,225,636	5,295,797	12,366,035	504,310
Business-type activities:				
Water	849,324	457,668	-	384,395
Total primary government	\$ 85,074,960	\$ 5,753,465	\$ 12,366,035	\$ 888,705
Component units:				
Airport Authority	\$ 234,464	\$ 123,051	\$ 64,000	\$ 344,610
Tourism Development Authority	2,564,433	2,622,605	150,000	-
Hospital	112,900,193	124,048,199	660,001	-
ABC Board	8,447,759	8,532,569	-	-
Total component units	\$ 124,146,849	\$ 135,326,424	\$ 874,001	\$ 344,610
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Total general revenues excluding transfers				
Transfers				
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

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (4,804,014)	\$ -	\$ (4,804,014)				
(17,125,693)	-	(17,125,693)				
(366,100)	-	(366,100)				
(4,284,630)	-	(4,284,630)				
(1,043,575)	-	(1,043,575)				
(6,108,633)	-	(6,108,633)				
(1,671,923)	-	(1,671,923)				
(28,367,520)	-	(28,367,520)				
(2,287,406)	-	(2,287,406)				
(66,059,494)	-	(66,059,494)				
-	(7,261)	(7,261)				
(66,059,494)	(7,261)	(66,066,755)				
			\$ 297,197	\$ -	\$ -	\$ -
			-	208,172	-	-
			-	-	11,808,007	-
			-	-	-	84,810
			297,197	208,172	11,808,007	84,810
51,159,340	-	51,159,340	-	-	-	-
12,051,519	-	12,051,519	-	-	-	-
4,595,602	-	4,595,602	-	-	-	-
677,029	-	677,029	-	-	-	-
401,788	8,679	410,467	-	629	464,570	541
79,807	-	79,807	-	5,628	-	978
68,965,085	8,679	68,973,764	-	6,257	464,570	1,519
(305,000)	305,000	-	-	-	-	-
68,660,085	313,679	68,973,764	-	6,257	464,570	1,519
2,600,591	306,418	2,907,009	297,197	214,429	12,272,577	86,329
6,787,194	4,289,745	11,076,939	3,908,890	744,564	93,440,236	2,925,241
\$ 9,387,785	\$ 4,596,163	\$ 13,983,948	\$ 4,206,087	\$ 958,993	\$ 105,712,813	\$ 3,011,570

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2011

	Governmental Fund Types			
	Major Fund		Total	Total
	General	2006 School Project Fund	Non-Major Funds	Governmental Funds
Assets				
Cash and investments	\$ 36,133,525	\$ -	\$ 3,469,852	\$ 39,603,377
Receivables, net	8,240,816	-	1,697,299	9,938,115
Restricted cash and investments	1,133,651	4,444,185	3,097,794	8,675,630
Due from other funds	2,817,866	-	-	2,817,866
Due from component units	407,781	-	-	407,781
Total assets	\$ 48,733,639	\$ 4,444,185	\$ 8,264,945	\$ 61,442,769
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,511,141	\$ 523,808	\$ 839,288	\$ 3,874,237
Due to other funds	-	1,522,590	250,503	1,773,093
Unearned revenue	26,653	-	-	26,653
Deferred revenue	2,769,824	-	488,670	3,258,494
Total liabilities	5,307,618	2,046,398	1,578,461	8,932,477
Fund balances:				
Restricted:				
Register of Deeds	311,834	-	-	311,834
Recreation Districts	94,790	-	-	94,790
Beach Nourishment	10,455,564	-	-	10,455,564
Stabilization by State Statute	8,696,639	-	-	8,696,639
Sheriff's fund	264,217	-	-	264,217
Health programs	931,719	-	-	931,719
Public safety	-	-	401,499	401,499
Rescue protection	-	-	1,150,690	1,150,690
Fire protection	-	-	1,734,943	1,734,943
School capital	-	2,397,787	337,735	2,735,522
Economic development	-	-	751,509	751,509
Committed:				
Economic development	-	-	721,756	721,756
School capital	-	-	432,914	432,914
Assigned:				
Subsequent year's expenditures	908,485	-	161,271	1,069,756
County capital	-	-	1,675,102	1,675,102
Unassigned:				
	21,762,773	-	(680,935)	21,081,838
Total fund balances	43,426,021	2,397,787	6,686,484	52,510,292
Total liabilities and fund balances	\$ 48,733,639	\$ 4,444,185	\$ 8,264,945	\$ 61,442,769

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

Total fund balances for governmental funds	\$ 52,510,292
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	28,337,028
Liabilities for earned but deferred revenues in the fund statements	3,258,494
Accrued interest receivable deferred in the fund statements	686,574
Deferred charges for 2004 COPS, 2005 General Obligation, and 2009 installment refunding Issuance cost	582,303
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(845,393)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(75,141,513)
Net assets of governmental activities	\$ 9,387,785

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2011

	Governmental Fund Types			
	Major Funds		Total	Total
	General	2006 School Project Fund	Non-Major Funds	Governmental Funds
Revenues				
Ad valorem taxes	\$ 44,217,015	\$ -	\$ 6,302,802	\$ 50,519,817
Other taxes and licenses	10,754,049	-	5,893,072	16,647,121
Permits and fees	2,407,908	-	-	2,407,908
Intergovernmental	12,588,120	196,763	857,427	13,642,310
Sales and services	2,710,406	-	-	2,710,406
Interest	310,381	6,651	84,756	401,788
Miscellaneous	164,968	-	-	164,968
Total revenues	73,152,847	203,414	13,138,057	86,494,318
Expenditures				
Current:				
General government	5,897,426	-	-	5,897,426
Public safety	9,555,818	-	9,039,416	18,595,234
Transportation	1,228,700	-	-	1,228,700
Environmental protection	3,189,081	-	-	3,189,081
Economic and physical development	2,162,203	-	2,726,964	4,889,167
Human services	15,336,136	-	-	15,336,136
Culture and recreation	2,638,191	-	-	2,638,191
Education	21,609,621	-	-	21,609,621
Capital outlay	-	4,581,951	3,852,969	8,434,920
Debt service:				
Principal retirement	6,465,073	-	-	6,465,073
Interest and fees	2,943,555	-	-	2,943,555
Total expenditures	71,025,804	4,581,951	15,619,349	91,227,104
Excess (deficiency) of revenues over (under) expenditures	2,127,043	(4,378,537)	(2,481,292)	(4,732,786)
Other financing sources (uses)				
Transfer in	1,994,764	-	2,778,346	4,773,110
Transfers out	(3,023,346)	(101,806)	(1,952,958)	(5,078,110)
Debt issuance	-	5,653,860	-	5,653,860
Total other financing sources (uses)	(1,028,582)	5,552,054	825,388	5,348,860
Net change in fund balance	1,098,461	1,173,517	(1,655,904)	616,074
Fund balances				
Beginning	42,327,560	1,224,270	8,342,388	51,894,218
Ending	\$ 43,426,021	\$ 2,397,787	\$ 6,686,484	\$ 52,510,292

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, 2011**

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ 616,074
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,292,599
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is a decrease to net assets.	(24,240)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	639,523
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	76,635
Total changes in net assets of governmental activities	\$ 2,600,591

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, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 44,645,000	\$ 44,666,000	\$ 44,217,015	\$ (448,985)
Other taxes and licenses	10,153,500	10,132,500	10,754,049	621,549
Permits and fees	2,462,920	2,473,740	2,407,908	(65,832)
Intergovernmental	11,080,923	12,117,639	12,588,120	470,481
Sales and services	2,703,760	2,733,280	2,710,406	(22,874)
Interest	700,000	700,000	310,381	(389,619)
Miscellaneous	212,272	238,355	164,968	(73,387)
Total revenues	71,958,375	73,061,514	73,152,847	91,333
Expenditures				
Current:				
General government	6,065,590	6,479,222	5,897,426	581,796
Public safety	9,056,085	9,928,307	9,555,818	372,489
Transportation	924,200	1,354,206	1,228,700	125,506
Environmental protection	3,220,835	3,285,809	3,189,081	96,728
Economic and physical development	2,589,640	2,616,471	2,162,203	454,268
Human services	15,815,935	16,114,550	15,336,136	778,414
Culture and recreation	2,799,115	2,816,385	2,638,191	178,194
Education	21,398,000	21,645,269	21,609,621	35,648
Debt service:				
Principal retirement	6,368,000	6,569,560	6,465,073	104,487
Interest and fees	3,141,650	3,149,300	2,943,555	205,745
Total expenditures	71,379,050	73,959,079	71,025,804	2,933,275
Revenue over (under) expenditures	579,325	(897,565)	2,127,043	3,024,608
Other financing sources (uses)				
Transfers in	1,775,300	1,948,156	1,994,764	46,608
Transfers out	(1,504,230)	(3,397,994)	(3,023,346)	374,648
Contingency reserves	(1,454,900)	(769,410)	-	769,410
Appropriated fund balance	604,505	3,116,813	-	(3,116,813)
Total other financing sources (uses)	(579,325)	897,565	(1,028,582)	(1,926,147)
Net change in fund balance	\$ -	\$ -	1,098,461	\$ 1,098,461
Fund balances				
Beginning			42,327,560	
Ending			<u>\$ 43,426,021</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fund Net Assets - Proprietary Fund
June 30, 2011**

	Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,694,078
Receivables, net	47,844
Total current assets	1,741,922
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	1,638,827
Other capital assets, net of depreciation	5,959,361
Total capital assets	7,598,188
Total noncurrent assets	7,598,188
Total assets	9,340,110
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	85,691
Customer deposits	66,249
Accrued interest payable	11,132
Due to other funds	1,044,773
Current portion of long-term liabilities	1,219,094
Total current liabilities	2,426,939
Noncurrent liabilities	
Installment loan payable and long-term liabilities	2,317,008
Total noncurrent liabilities	2,317,008
Total liabilities	4,743,947
Net Assets	
Invested in capital assets, net of related debt	4,079,804
Unrestricted	516,359
Total net assets	\$ 4,596,163

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, 2011

	Water Fund
Operating revenues	
Charges for services	\$ 457,668
Total operating revenues	457,668
Operating expenses	
Water plant operations	469,159
Depreciation	308,377
Total operating expenses	777,536
Operating loss	(319,868)
Nonoperating revenues (expenses)	
Interest revenue	8,679
Interest expense	(71,788)
Total nonoperating revenues (expenses)	(63,109)
Loss before contributions and transfers	(382,977)
Capital contributions	384,395
Transfers in	305,000
Change in net assets	306,418
Total net assets	
Beginning	4,289,745
Ending	\$ 4,596,163

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2011**

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 525,264
Cash paid for goods and services	(257,894)
Cash paid to employees for services	(216,934)
Customer deposits returned	(157)
Net cash provided by operating activities	50,279
Cash flows from noncapital financing	
Transfers in	265,000
Net cash provided by noncapital financing	265,000
Cash flows from capital and related financing activities	
Principal paid on installment debt	(171,032)
Interest paid on installment debt	(72,589)
Short-term loans from other funds	1,044,773
Acquisition and construction of capital assets	(1,164,377)
Reduction of construction accounts payable	(509,262)
Capital contributions grants	500,000
Bond anticipation notes issued	1,046,000
Transfer in for capital	40,000
Net cash provided by capital and related financing activities	713,513
Cash flows provided by investing activities	
Interest on investments	8,679
Net increase in cash and cash equivalents	1,037,471
Cash and cash equivalents:	
Beginning	656,607
Ending	\$ 1,694,078

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)
Year Ended June 30, 2011

	Water Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (319,868)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,377
Provision for uncollectible accounts	
Changes in assets and liabilities:	
Decrease in accounts receivable	67,596
Decrease in accounts payable and accrued liabilities	(7,232)
Decrease in customer deposits	(157)
Increase in accrued vacation pay	1,563
Net cash provided by operating activities	\$ 50,279

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
June 30, 2011**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 67,362</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 67,362</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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Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies

Nature of operations

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

Reporting entity

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

Beaufort - Morehead City Airport Authority: The Beaufort - Morehead City Airport Authority ("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 Authority 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 Alcoholic Beverage Control Board ("ABC Board"): The ABC Board is governed by a board appointed by the County Commissioners. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. The ABC Board has a June 30 year-end.

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

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

Notes to Financial Statements

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

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

The following corporation is included as a blended component:

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 as of and for the year ended June 30, 2011.

Summary of significant accounting policies

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

Basis of presentation, Measurement Focus – Basis of Accounting

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government (the "County") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to Financial Statements

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

Fund financial statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds, as applicable.

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

The County reports the following major governmental funds:

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

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 types:

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

Nonmajor Funds: The County maintains seven annually budgeted nonmajor funds. The Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, and Occupancy Tax fund are reported as nonmajor special revenue funds. The County Capital Reserve Fund, County Capital Improvements Fund, and School Special Projects Fund are reported as capital projects funds.

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

Measurement focus and basis of accounting

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

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

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Carteret County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

Budgets and budgetary accounting: The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding 2006 CDBG SSH Program, 2009 CDBG 09-C-2063 Program), the capital projects funds (excluding the Morehead Elementary School Fund, the Beaufort Square and County 911 Center Fund, 2006 School Project Fund, and the Water Construction Fund) and the Water Operating Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

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

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

The Board of Commissioners may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet the requirements of North Carolina's "Local Government Budget and Fiscal Control Act". No amendment may change the property tax levy unless the Board of Commissioners is so ordered by competent authority. During the year, several supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made.

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total for the general fund and the special revenue funds, and at the 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.

Assets, Liabilities and Fund Equity

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

The County's money market investments with a maturity of more than one year at acquisition and 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 quarter. The County's component units consider demand deposits and investments purchased with an original maturity of three months or less which are not limited as to use, to be cash and cash equivalents.

Restricted cash and investments: Certain proceeds of debt issuances are classified as restricted cash and investments because their use is limited by applicable debt instruments. Additional restricted cash includes rescue and fire districts' cash balance reserves that are completely restricted for rescue and fire district use in the future, compensating cash balance which offsets fees associated with the County's tax collection lockbox account as well as other miscellaneous restricted accounts.

Notes to Financial Statements

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

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

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes 105-347 and 159-13(a) is as follows:

Lewy 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, 2010 assessed values.

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

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

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

Capital assets: Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the government-wide financial statements as capital assets of governmental activities. Capital assets are capitalized in proprietary fund financial statements and in business-type activities of the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The County has no significant, 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 does not capitalize interest costs as a component of the cost of capital assets constructed for its use in governmental activities.

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 construction.

Notes to Financial Statements

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

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

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

	<u>Useful Lives</u>
Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Improvements other than building	5 - 20 years

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

<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; vehicles 7 years; and computer equipment and software 5 years.

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

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

Compensated absences: The vacation policies of the County, the Hospital, TDA, and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, the TDA, 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.

Notes to Financial Statements

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

The sick leave policies of the County, the Airport, 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 GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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

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

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

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

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

Net assets/fund balances:

Net assets: Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund balances: In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

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

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the County's restricted fund balances as of June 30, 2011:

- Restricted for Register of Deeds — portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.
- Restricted for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Restricted for Beach Nourishment — represents amount reserved for beach nourishment.
- Restricted for Stabilization of State Statue — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
- Restricted for Sheriff's fund — represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Restricted for Health programs — represents amounts restricted to expenditures in specific health programs.
- Restricted for Rescue Protection – portion of fund balance that is restricted by revenue source for rescue protection expenditures.
- Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.
- Restricted for School Capital – portion of fund balance that can only be used for school capital improvements.
- Restricted for Economic Development – portion of fund balance that can only be used for economic development purposes derived from Industrial Park lot sales.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners. Any changes or removal of specific purposes requires majority action by the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2011:

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

Assigned Fund Balance - portion of fund balance that the Carteret County governing board has budgeted. The following are the County's assigned fund balances as of June 30, 2011:

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

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

Notes to Financial Statements

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$43,122,507) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 56,746,119
Less accumulated depreciation	28,409,091
Net capital assets	28,337,028
Accrued interest receivable	686,574
Deferred charges for COPS Issuance costs and General Obligation Issuance costs	582,303
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	3,258,494
Accrued interest is not due and payable in the current period and therefore is not reported in the funds	(845,393)
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	(72,389,570)
Premiums on refundings	(892,481)
Deferred charges	364,116
Discount on refundings	605,497
Compensated absences	(1,096,889)
Accrued postemployment and retirement obligations	(1,732,186)
Long term liabilities	(75,141,513)
Total adjustment	\$ (43,122,507)

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 \$1,984,517 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,505,755
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	(2,213,156)
Sale of capital assets	3,141
Costs on disposal of capital assets	(27,381)
Bank Installment Debt Issued	(5,653,860)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements. Amounts also include bond issuance costs and unamortized charges	6,471,622
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(27,746)
Long-term net pension and OPEB obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(506,993)
Increase in interest payable on long-term debt at June 30, 2011	(150,400)
Amortization expense	(55,988)
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, 2010	(2,737,121)
Recording of tax receipts deferred in the fund statements as of June 30, 2011	3,258,494
Increase in accrued interest on taxes receivable for year ended June 30, 2011	118,150
Total adjustment	\$ 1,984,517

Note 2. Stewardship, Compliance, and Accountability

The CDBG 2006 SSH special revenue fund had a deficit fund balance of (\$855) as of June 30, 2011. The fund incurred project to date expenditures in excess of total revenues received. This fund will receive additional transfers from the General Fund to cover project expenditures.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments

Cash on hand:

The County had \$1,720 in petty cash on hand at June 30, 2011.

Component unit information:

Carteret County General Hospital had \$3,120 in cash on hand at September 30, 2010.

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, 2011, the County's deposits, excluding petty cash and agency fund deposits had a carrying amount of \$19,037,565 and a bank balance of \$20,256,806. Of the bank balance, \$1,848,744 was covered by federal depository insurance and \$18,408,062 was covered by collateral held under the Pooling Method. Restricted cash in the amount of \$7,441,341 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$548,525, \$4,132,757 for capital projects, and the remaining \$2,760,059 is restricted for fire and rescue special taxing districts.

At June 30, 2011, the County's agency fund deposits had a carrying amount of \$67,362 and a bank balance of \$68,933. Of the bank balance \$66,521 was covered by federal depository insurance and \$2,412 collateral held under the pooling method.

Component unit information:

At June 30, 2011, the carrying amount of deposits for Tourism and Development Authority with financial institutions was \$383,058 and the bank balance was \$390,888. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$140,888 was covered by collateral held under the pooling method.

At June 30, 2011, the carrying amount of deposits and petty cash for Beaufort-Morehead City Airport Authority was \$88,760 and the bank balance was \$97,013. Of the bank balance, \$97,013 was covered by federal depository insurance.

At September 30, 2010, the carrying amount of the Hospital's deposits and cash on hand was \$57,061,035 and the bank balance was \$58,588,705. Of the bank balance, \$1,294,228 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

At June 30, 2011, the carrying amount of deposits for Carteret County ABC Board was \$1,023,013 and the bank balance was \$1,019,835. All of the bank balance was covered by federal depository insurance.

Investments:

At June 30, 2011, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		1 Year	1-5 Years	6-10 Years	11-15 Years
Commercial Paper	\$ 1,997,270	\$ 1,997,270	\$ -	\$ -	\$ -
US Government Agencies	10,485,769	473,967	1,021,360	6,935,796	2,054,646
NC Capital Management Trust Cash Portfolio	18,055,715	18,055,715	N/A	N/A	N/A
NC Capital Management Trust Term Portfolio	395,046	395,046	-	-	-
Total	\$30,933,800	\$ 20,921,998	\$ 1,021,360	\$ 6,935,796	\$ 2,054,646

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

Credit risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2011, the County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in each of the following: commercial paper (6.46%), Federal National Mortgage Association \$4,088,604 (13.22%), Federal Home Loan Mortgage \$3,955,441 (12.79%), and Freddie Mac \$1,967,757 (6.36%). The County's investments in commercial paper consist of the following issuer: Abbey National. 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, 2011, the County had restricted investments in the governmental activities of \$2,280,306. In the Capital Projects Funds there are restricted investments of \$264 for the construction of Beaufort Elementary School, \$1,806,074 for the expansions and renovations to our public schools as outlined in the 2006 School GO Bond and \$473,968 for Qualified Zone Academy Bond debt service.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Component unit information

At June 30, 2011, the TDA had \$59,271 invested in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net assets.

Note 4. Receivables

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2011:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 686,574	\$ -	\$ 686,574
Taxes	3,421,160	-	3,421,160
Accounts	499,608	45,356	544,964
Intergovernmental	5,768,684	2,488	5,771,172
Other	740,586	-	740,586
Gross receivables	11,116,612	47,844	11,164,456
Less allowance for uncollectibles	(491,923)	-	(491,923)
Net total receivables	\$ 10,624,689	\$ 47,844	\$ 10,672,533

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
2008	\$ 187,465	\$ 44,523	\$ 231,988
2009	202,694	29,897	232,591
2010	230,608	13,260	243,868
2011	225,240	-	225,240
Total	\$ 846,007	\$ 87,680	\$ 933,687

Component unit information

The Carteret County General Hospital Corporation receivables of \$18,772,130 are net of an allowance for doubtful accounts of \$10,733,000. Approximately 60% of the Hospital's revenue is from the Medicare and Medicaid programs.

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets

The following is a summary of changes in the County's capital assets during the fiscal year ended June 30, 2011:

	Capital Assets July 1, 2010	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	4,960,436	147,211	-	-	5,107,647
Construction in progress	2,237,753	6,811	(2,225,630)	-	18,934
Total capital assets not being depreciated	7,367,738	154,022	(2,225,630)	-	5,296,130
Capital assets, being depreciated:					
Buildings	27,229,668	120,133	-	-	27,349,801
Vehicles	4,331,921	426,202	(70,329)	-	4,687,794
Equipment	4,815,594	1,187,728	-	-	6,003,322
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	6,580,950	2,712,947	-	-	9,293,897
Leasehold improvements	1,481,701	1,108,727	-	-	2,590,428
Total capital assets being depreciated	45,964,581	5,555,737	(70,329)	-	51,449,989
Less accumulated depreciation for:					
Buildings	14,054,356	862,916	-	-	14,917,272
Vehicles	3,385,957	431,113	(67,715)	-	3,749,355
Equipment	4,199,408	413,329	-	-	4,612,737
Airport facilities	1,453,444	30,001	-	-	1,483,445
Other improvements	3,151,964	373,994	-	-	3,525,958
Leasehold improvements	18,521	101,803	-	-	120,324
Total accumulated depreciation	26,263,650	\$ 2,213,156	\$ (67,715)	\$ -	28,409,091
Total capital assets, being depreciated, net	19,700,931				23,040,898
Governmental activity capital assets, net	\$ 27,068,669				\$ 28,337,028

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

Governmental activities:	
General government	\$ 423,518
Public Safety	755,876
Transportation	146,020
Economic & Physical Development	32,785
Human Services	301,102
Culture & Recreation	492,874
Environmental Protection	60,981
Total depreciation expense - governmental activities	\$ 2,213,156

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2010	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2011
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 70,298	\$ -	\$ -	\$ -	\$ 70,298
Construction in progress	581,872	986,657	-	-	1,568,529
Total capital assets, not being depreciated	652,170	986,657	-	-	1,638,827
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	6,251,044	158,529	-	-	6,409,573
Vehicles	27,792	-	-	-	27,792
Equipment	89,850	19,191	-	-	109,041
Total capital assets, being depreciated	8,487,950	177,720	-	-	8,665,670
Less accumulated depreciation for:					
Buildings	470,947	70,642	-	-	541,589
Infrastructure	1,846,531	223,628	-	-	2,070,159
Vehicles	22,760	2,875	-	-	25,635
Equipment	57,694	11,232	-	-	68,926
Total accumulated depreciation	2,397,932	\$ 308,377	\$ -	\$ -	2,706,309
Total capital assets, being depreciated, net	6,090,018				5,959,361
Business-type activities capital assets, net	\$ 6,742,188				\$ 7,598,188

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, 2010:

	Balance September 30, 2009	Additions	Retirements	Balance September 30, 2010
Capital assets:				
Nondepreciable capital assets:				
Construction in progress	\$ 223,946	\$ 3,997,590	\$ (3,967,571)	\$ 253,965
Land	3,300,023	197,558	-	3,497,581
	3,523,969	4,195,148	(3,967,571)	3,751,546
Depreciable capital assets:				
Land improvements	1,110,988	-	-	1,110,988
Buildings and improvements	27,450,028	1,116,979	(3,844)	28,563,163
Equipment	49,953,037	5,684,614	(734,836)	54,902,815
	78,514,053	6,801,593	(738,680)	84,576,966
Total capital assets at historical costs	82,038,022	10,996,741	(4,706,251)	88,328,512
Less accumulated depreciation:				
Land improvements	763,687	41,768	-	805,455
Buildings and improvements	10,711,631	1,001,887	(3,548)	11,709,970
Equipment	29,170,442	4,720,813	(721,230)	33,170,025
Total accumulated depreciation	40,645,760	5,764,468	(724,778)	45,685,450
Capital assets, net	\$ 41,392,262	\$ 5,232,273	\$ (3,981,473)	\$ 42,643,062

Carteret County, North Carolina

Notes to Financial Statements

Note 5. 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, 2011:

Land	\$ 1,080,717
Buildings	3,213,134
Furniture and equipment	1,133,524
Leasehold improvements	144,927
Building improvements	112,352
	<u>5,684,654</u>
Less accumulated depreciation	1,781,584
	<u>\$ 3,903,070</u>

The following is a summary of the Beaufort – Morehead City Airport Authority's capital assets at June 30, 2011:

Construction in progress	\$ 656,673
Land	1,345,132
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	444,989
Land/runway improvements	1,658,018
	<u>4,782,888</u>
Less accumulated depreciation	435,904
	<u>\$ 4,346,984</u>

The following is a summary of the Carteret County Tourism and Development Authority's capital assets at June 30, 2011:

Buildings	\$ 67,069
Other improvements	56,757
Equipment	109,778
Vehicles and motorized equipment	20,286
	<u>253,890</u>
Less accumulated depreciation	131,993
	<u>\$ 121,897</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses (including liabilities to be paid from restricted assets) at the government-wide level at June 30, 2011, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,536,797	\$ 974,344	\$ 2,511,141
2006 School Project	523,808	-	523,808
Other governmental	839,288	-	839,288
Total governmental activities (1)	\$ 2,899,893	\$ 974,344	\$ 3,874,237
Business-type activities:			
Water	\$ 72,785	\$ 12,906	\$ 85,691
Total business - type activities	\$ 72,785	\$ 12,906	\$ 85,691

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

Note 7. Deferred/Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 26,653
Taxes receivable, net (General)	2,440,568	-
Taxes receivable, net (Special Revenue)	488,670	-
Solid waste fees receivable (General)	329,256	-
Total	\$ 3,258,494	\$ 26,653

Note 8. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for liability, casualty risks, property and workers' compensation coverage. There have been no significant reductions in insurance coverage from the previous fiscal year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County does not carry flood insurance 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 County 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 of \$10,000,000 for specified aggregate amounts in excess of the basic coverage. The Hospital also maintains for Taylor Extended Care a flood insurance policy which has a one-year term and is renewable in October and November of each year.

The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The 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.

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

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities and for the construction of Board of Education and Community College properties, which are not recorded as capital assets by the County as disclosed in Note 1. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and are serviced by the General Fund. Principal and interest requirements are provided by appropriation in the year in which they become due. The County general obligation bonds payable at June 30, 2011 are comprised of the following individual issues:

\$7,600,000 - 2002 Carteret Community College additions due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 4.75%	\$ 5,200,000
\$19,960,000 - 2004 Refunding of 1995 and 1996 general obligation bonds due on November 1 and May 1 in varying installments through May 1, 2017; interest at varying rates ranging from 3% to 5%	9,295,000
\$22,000,000 - 2006 School bond, due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4% to 5%	18,750,000
\$18,300,000 - 2007 School bond, due on October 1 and April 1 in varying installments through April 1, 2027; interest at varying rates ranging from 3.625% to 5%	15,500,000
	<u>\$ 48,745,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 3,625,000	\$ 2,107,485
2013	3,770,000	1,943,735
2014	4,040,000	1,797,285
2015	4,010,000	1,625,898
2016	4,090,000	1,448,998
2017 – 2021	16,060,000	4,749,572
2022 – 2026	12,650,000	1,703,250
2027	500,000	21,250
	<u>\$ 48,745,000</u>	<u>\$ 15,397,473</u>

Certificates of Participation

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

\$12,630,000 - 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	<u>\$ 5,155,000</u>
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Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for certificates of participation as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 580,000	\$ 223,796
2013	575,000	202,046
2014	445,000	179,765
2015	445,000	161,520
2016	445,000	142,830
2017 – 2021	2,225,000	417,780
2022 – 2023	440,000	20,900
	<u>\$ 5,155,000</u>	<u>\$ 1,348,637</u>

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

Governmental activities (serviced by the General Fund):

\$2,400,000 - Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2003, including interest at 3.35%	\$ 300,000
\$2,000,000 - Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008	2,000,000
\$1,700,000 - Construction and renovations to Carteret Community College buildings for 7 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.260%	596,971
\$2,000,000 - Technology improvements for Carteret County Schools for 5 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.420%	322,385
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010	1,551,354
\$9,275,000 - 2009 governmental office space renovation and refunding of 2000 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2020, interest at 3.59% collateralized by Newport Middle School and the County Health Center	8,065,000
\$4,000,000 QZAB - Renovations of East Carteret High School for 13 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 5.22%	4,000,000
\$1,653,860 QSCB - Renovations of schools for 12 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 4.81%	1,653,860
	<u>18,489,570</u>

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

\$589,608 - Construction of water treatment and distribution facilities for 19 consecutive installments, beginning in fiscal year 2004-2005, including interest at 5.75% annual funds provided by State Revolving Fund	372,384
\$2,800,000 - Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%, funds provided by State Revolving Fund	2,100,000
	<u>\$ 20,961,954</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for installment financing at June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,390,518	\$ 629,381	\$ 171,032	\$ 67,717	\$ 2,561,550	\$ 697,098
2013	1,759,180	535,611	171,032	62,846	1,930,212	598,457
2014	1,601,200	468,223	171,032	57,974	1,772,232	526,197
2015	1,490,514	407,497	171,032	53,103	1,661,546	460,600
2016	1,480,514	351,419	171,032	48,232	1,651,546	399,651
2017 – 2021	6,197,570	939,623	855,160	168,089	7,052,730	1,107,712
2022 – 2026	3,570,074	116,257	762,064	51,658	4,332,138	167,915
	<u>\$18,489,570</u>	<u>\$3,448,011</u>	<u>\$2,472,384</u>	<u>\$ 509,619</u>	<u>\$20,961,954</u>	<u>\$3,957,630</u>

Bond Anticipation Note

\$1,046,000 water notes issued on June 29, 2011; interest at 1.05%. The notes will be

repaid from a \$1,046,000 bond issue expected to be sold in the next fiscal year **\$ 1,046,000**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2011:

	Beginning Balance June 30, 2010	Additions	Retirements	Ending Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 52,330,000	\$ -	\$ 3,585,000	\$ 48,745,000	\$ 3,625,000
Certificates of participation	5,735,000	-	580,000	5,155,000	580,000
Less deferred amounts:					
Advance refunding charge	(737,871)	-	(132,374)	(605,497)	-
Issuance premiums	367,236	-	23,003	344,233	-
Issuance discounts	(411,547)	-	(47,431)	(364,116)	-
Premium on refunding	644,855	-	96,607	548,248	-
Total bonds payable	<u>57,927,673</u>	<u>-</u>	<u>4,104,805</u>	<u>53,822,868</u>	<u>4,205,000</u>
Installment purchase obligations	15,135,783	5,653,860	2,300,073	18,489,570	2,390,518
Compensated absences	1,069,143	1,045,006	1,017,260	1,096,889	801,509
Separation allowance pension obligations	222,117	60,339	36,025	246,431	-
Net OPEB obligation	1,003,076	647,175	164,496	1,485,755	-
Governmental activity long-term liabilities	<u>\$ 75,357,792</u>	<u>\$ 7,406,380</u>	<u>\$ 7,622,659</u>	<u>\$ 75,141,513</u>	<u>\$ 7,397,027</u>
Business-type activities:					
Bond Anticipation Note	\$ -	\$ 1,046,000	\$ -	\$ 1,046,000	\$ 1,046,000
Installment purchase obligations	2,643,416	-	171,032	2,472,384	171,032
Compensated absences	16,155	12,187	10,624	17,718	2,062
Business-type activity long-term liabilities	<u>\$ 2,659,571</u>	<u>\$ 1,058,187</u>	<u>\$ 181,656</u>	<u>\$ 3,536,102</u>	<u>\$ 1,219,094</u>

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

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a last-in, first-out ("LIFO") basis, assuming that employees are taking leave as it is earned.

At June 30, 2011, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin of 1,460,913,647.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment at September 30, 2010. The leases expire at various dates through December 2015 and have a present value of minimum lease payments of \$1,841,172.

Minimum annual lease payments for years subsequent to September 30, 2010 are as follows:

Year Ending September 30,	Capital Leases
2011	\$ 832,770
2012	590,794
2013	281,702
2014	124,920
2015	133,764
Total minimum lease payments	1,963,950
Less amount representing interest 3.00% - 7.61%	122,778
Present value of net minimum lease obligations	1,841,172
Less current maturities	764,515
Obligations under capital leases, less current maturities	\$ 1,076,657

Assets under capital leases had a cost basis of \$3,794,608 and accumulated depreciation on these assets of \$2,055,182 at September 30, 2010.

Long-term obligations for the ABC Board as of June 30, 2011 are as follows:

Installment loan payable in the original loan amount of \$995,000 payable in monthly payments including interest at 2.99%. Balance shall be due April 15, 2016. Secured by real estate.	\$ 264,592
Installment loan payable in the loan amount of \$995,000 with interest payable at 3.25% monthly. Balance due January 19, 2013. Secured by real estate.	802,986
Installment loan payable in the loan amount of \$389,000 payable in monthly installments including interest at 3.25%, due January 19, 2012. Secured by real estate.	327,996
Installment loan payable in the loan amount of \$748,000 with interest payable at 3.25% monthly. Balance due January 19, 2014. Secured by real estate.	579,750
	1,975,324
Less current maturities	449,453
Long-term debt	\$ 1,525,871

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

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

Year Ending June 30,	Amount
2012	\$ 449,453
2013	809,605
2014	526,448
2015	189,818
	<u>\$ 1,975,324</u>

The ABC Board's notes payable include a \$150,000 revolving line of credit with First Citizens Bank, interest payable on varying dates based on a fixed rate of 3.25% for a tax-exempt status. There was no outstanding balance on this line of credit at June 30, 2011. The note is unsecured and requires that the principal balance be reduced to a zero balance for a period of at least 30 consecutive days during the year.

The ABC Board's accumulated earned vacation at June 30, 2011 amounted to approximately \$53,900 and the current portion of the accumulated vacation pay is not considered to be material.

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

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

The future minimum debt service payments of the Airport Authority for the installment purchase contracts as of June 30, 2011, including \$57,975 of interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 32,914	\$ 9,754
2013	34,248	8,420
2014	35,636	7,032
2015	20,260	5,782
2016	13,567	5,226
2017 – 2021	69,471	18,106
2020 – 2025	53,973	3,655
	<u>\$ 260,069</u>	<u>\$ 57,975</u>

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2011 in the amount of \$16,964.

Note 10. Retirement Systems

North Carolina Local Governmental Employees' Retirement System

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

Funding policy: Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.46% and 6.27%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 6.35% and 6.27%, 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, 2011, 2010 and 2009 were \$922,101, \$703,706 and \$694,422, respectively. The ABC Board's contributions to LGERs for the years ended June 30, 2011, 2010, and 2009 were \$41,121, \$34,978 and \$33,411, 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	46
Total	49

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

2. Summary of Significant Accounting Policies

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

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

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% 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, 2009 was 21 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	\$ 61,124
Interest on net pension obligation	11,106
Adjustment to annual required contribution	<u>(11,891)</u>
Annual pension cost	60,339
Employer contributions made for fiscal year ended June 30, 2011	<u>36,025</u>
Increase in net pension obligation	24,314
Net pension obligation, beginning of fiscal year	<u>222,117</u>
Net pension obligation, end of fiscal year	<u><u>\$ 246,431</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
06/30/2009	\$ 44,434	70.01%	\$ 215,838
06/30/2010	42,304	85.16%	222,117
06/30/2011	60,339	59.70%	246,431

4. Funded Status and Funding Progress.

As of December 31, 2009, 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 \$467,450. The covered payroll (annual payroll of active employees covered by the plan) was \$1,764,035, and the ratio of the UAAL to the covered payroll was 26.50 percent.

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

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding policy: Article 12E of G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions from the County for the year ended June 30, 2011 were \$134,865, which consisted of \$90,553 from the County and \$44,312 from law enforcement officers. Contributions from the ABC Board for June 30, 2011 consisted of \$2,884 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, 2011 were 946,922, which consisted of \$632,494 from the County and \$314,428 from the employees.

Registers of Deeds' Supplemental Pension Fund

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

Funding policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$9,159.

Note 10. Retirement Systems (Continued)

Carteret County General Hospital Corporation Pension Plan

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

Effective October 1, 2009, the Hospital contributed an amount equal to 4% of eligible employee's base salary. Contributions for years ended September 30, 2010 were approximately \$1,440,000. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after three years of continuous service. Hospital contributions, and plan earnings thereon for employees who leave employment before three years of service are used to reduce the Hospital's current-period contribution requirement.

The Hospital also provides a defined contribution plan under Section 403(b) of the Internal Revenue Code, effective for the fiscal year ending September 30, 2010. This plan is available to all eligible employees of the Hospital with employee contributions made through payroll deductions authorized by the employee. Effective October 1, 2009, the Hospital contributed 100% of the first 2% contributed by the employee. Employees are fully vested in Hospital contributions upon participation in the 403(b) retirement plan. Contributions for the year ended September 30, 2010 were approximately \$620,000.

Carteret County Tourism Development Authority Retirement Plan

The Authority adopted 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, 2011 was \$7,479.

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 5% of their eligible wages. The Board made matching contributions to the plan for years ended June 30, 2011 and 2010 totaling \$29,718 and \$33,419, respectively.

Notes to Financial Statements

Note 11. Other Post-Employment Benefits

Healthcare Benefits

Plan description. Under the terms of a County personnel policy, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of August 5, 2002, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least twenty years, and retire with at least ten years of creditable service with the County. Prior to August 5, 2002, employees qualified for similar level benefits after at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for themselves and their spouses at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and spouses receiving benefits	22	5
Active plan members	390	48
Total	412	53

Funding policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the County personnel policy that can be amended by County Commissioners. The County's members pay \$784 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis, from the general fund.

The current annual required contribution ("ARC") rate is 4.54% of annual covered payroll. For the current year, the County contributed \$164,496 or 1.17% of annual covered payroll. The County obtains healthcare coverage through private insurers. There were no contributions made by employees or retirees, except for dependent and spouse coverage in the amount of \$205,617. The County's obligation to contribute to HCB Plan is established and may be amended by the County Commission.

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

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

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

Annual required contribution	\$ 640,488
Interest on net OPEB obligation	40,123
Adjustment to annual required contribution	(33,436)
Annual OPEB cost (expense)	647,175
Contributions made	164,496
Increase (decrease) in net OPEB obligation	811,671
Net OPEB obligation, beginning of year	1,003,076
Net OPEB obligation, end of year	\$ 1,814,747

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 705,823	24.48%	\$ 533,068
2010	640,488	26.62%	1,003,076
2011	640,488	25.42%	1,485,755

Funded status and funding progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability ("UAAL") was \$6,775,484. The covered payroll (annual payroll of active employees covered by the plan) was \$14,099,999, and the ratio of the UAAL to the covered payroll was 48.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 11. Other Post-Employment Benefits (Continued)

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

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 declining to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

Note 12. Other Employment Benefits

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

Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the year ended June 30, 2011, the County made contributions to the State for death benefits of \$16,395 and the ABC Board made contributions of \$907. The County's and the ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Carteret County, North Carolina

Notes to Financial Statements

Note 13. Additional Social Welfare Expenditures

The benefit payments listed below were issued directly from the state to recipients of the County on its behalf. These amounts represent additional Federal and State financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

	Federal	State
Medicaid	\$ 42,930,555	\$ 17,132,199
TANF	293,557	-
WIC	921,626	-
Low Income Home Energy	385,705	-
Special Assistance	-	408,912
	\$ 44,531,443	\$ 17,541,111

Note 14. 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, 2011. 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, 2011. 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, \$5,200,000 and \$596,971 in debt is still outstanding, respectively. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,278,442 to the Community College during the fiscal year ended June 30, 2011. 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, 2011. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, North Carolina 28557.

Note 15. Jointly Governed Organizations

Regional Library

The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina's continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2011. During the year ended June 30, 2011, the County contributed \$900,000 to the library in Carteret County.

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 principal balance of the trust funds is nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2011, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Note 16. Commitments and Contingencies

Litigation

The County is named defendant in several lawsuits related to carrying out its functions. Based upon its consultations with the County's attorneys, the County believes its ultimate liability, if any, will not be significant.

Commitments

At June 30, 2011, the County had contractual commitments totaling approximately \$720,156 within the Highway 101 Phase II Water Capital Project Fund financed by loan proceeds from the USDA, of which approximately \$409,116 was paid through June 30, 2011, leaving a remaining commitment under this contract of approximately \$311,040.

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 of \$10,000,000 for specified aggregate amounts in excess of the basic coverage. The excess coverage is an occurrence policy with a retroactive date of June 15, 1976. Incidents occurring through September 30, 2010 may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

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

The Beaufort-Morehead City Airport Authority has the following construction commitments as of June 30, 2011:

Project	Spent-To-Date	Remaining Commitment
Runway Extension and Partial Parallel Taxiway	\$ 265,406	\$ 44,048
Land Acquisition for Runway Projection Zone	111,428	444,128
T-Hangar Taxi Lane Rehab, R/W 8-26 PAPI and Hold Signs	264,890	163,361
	\$ 641,724	\$ 651,537

Carteret County, North Carolina

Notes to Financial Statements

Note 17. Interfund and Intra-Entity Receivables and Payables

Receivable Fund	Payable Fund	Amount
General Fund	Occupancy Tax	
	Occupancy tax distribution	\$ 238,724
	CDBG SSH Fund	855
	CDBG 2009 CR Fund	10,924
	2006 School Project Fund	1,522,590
	Water Construction Fund	1,044,773
		<u>\$ 2,817,866</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	\$ 260,069
	Carteret County ABC Board	
	Net income distribution due to County	
	at June 30, 2011	147,712
		<u>\$ 407,781</u>

Carteret County, North Carolina

Notes to Financial Statements

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

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

Interfund transfers for the year ended June 30, 2011 are as follows:

Transfers Out	Transfers In			Total
	Major General	Other Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 2,778,346	\$ 245,000	\$ 3,023,346
Major 2006 School Bond Fund	101,806	-	-	101,806
Other Governmental Funds	1,892,958	-	60,000	1,952,958
Total transfers out	\$ 1,994,764	\$ 2,778,346	\$ 305,000	\$ 5,078,110

Transfers consist primarily of the following:

\$ 3,023,346	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
1,803,805	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
77,617	Transfer from School Special Fund to General Fund for completed project
101,806	Transfer from 2006 School Project Fund to General fund for arbitrage rebate

Intra-entity transactions with discretely presented component units for the year ended June 30, 2011 are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations	\$ 64,000
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	2,622,606
	\$ 2,686,606
Profit Contributions from ABC Board to General Fund	\$ 349,243

Note 19. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2011 that have effective dates that may impact future financial presentation.

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

- GASB Statement Number 61, "The Financial Reporting Entity: Omnibus" will be effective for the county beginning with its year ending June 30, 2013.
- GASB Statement Number 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICAP Pronouncements" will be effective for the County beginning with its year ending June 30, 2013.
- GASB Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" will be effective for the County beginning with its year ending June 30, 2013.
- GASB Statement Number 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Number 53" will be effective for the County beginning with its year ending June 30, 2012.

Note 20. Subsequent Events

On July 19, 2011, Carteret County refunded \$4,800,000 of 2002 general obligation bonds, and issued \$4,780,000 with an interest rate of 2.07%. The maturity dates of the bonds begin February 01, 2013 – February 01, 2020.

On October 6, 2011, Carteret County refunded \$4,575,000 COPs originally issued 2002. The new COPs have an issued amount of \$4,680,000 with a 2.51% interest rate. The maturity dates of the bonds begin June 01, 2012 – June 01, 2022.

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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

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

Notes to the Required Schedules for the Other Postemployment Benefits

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Carteret County, North Carolina

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
12/31/2005	\$ -	\$ 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%
12/31/2008	-	289,070	289,070	0.00%	1,729,225	16.72%
12/31/2009	-	455,271	455,271	0.00%	1,791,495	25.41%
12/31/2010	-	467,450	467,450	0.00%	1,764,035	26.50%

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
2006	\$ 32,346	-
2007	30,593	42.81%
2008	35,763	73.25%
2009	42,551	70.01%
2010	40,252	89.50%
2011	61,124	58.94%

Notes to the Required Schedules:

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

Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

Carteret County, North Carolina

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

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

Carteret County, North Carolina

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

Year Ending June 30,	Annual Required Contributions	Percentage Contributed
2009	\$ 705,823	24.48%
2010	640,488	26.62%
2011	640,488	25.42%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	10.5% - 5.00%
*Includes inflation at	3.75%

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

Supplementary Information

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Major Funds Summary

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenue			
Ad valorem taxes:			
Current period	\$ 43,285,000	\$ 43,043,486	\$ (241,514)
Prior years	1,100,000	903,243	(196,757)
Interest and penalties	281,000	270,286	(10,714)
	<u>44,666,000</u>	<u>44,217,015</u>	<u>(448,985)</u>
Other taxes and licenses:			
White goods disposal tax	20,000	19,225	(775)
ABC local bottle tax	29,500	34,071	4,571
Local option sales tax	10,000,000	10,601,334	601,334
Solid waste disposal tax	20,000	22,849	2,849
Scrap tire disposal tax	63,000	76,570	13,570
	<u>10,132,500</u>	<u>10,754,049</u>	<u>621,549</u>
Permits and fees:			
Sheriff fees	80,000	131,023	51,023
Register of deeds	935,740	961,946	26,206
Privilege licenses	14,000	14,068	68
Franchise fees	550,000	467,853	(82,147)
Building and Inspection Fees	440,000	492,222	52,222
Environmental health fees	300,000	232,611	(67,389)
Other fees	154,000	108,185	(45,815)
	<u>2,473,740</u>	<u>2,407,908</u>	<u>(65,832)</u>
Intergovernmental:			
Restricted:			
Federal and State grants	10,702,639	10,837,615	134,976
Lottery Proceeds	800,000	800,000	-
Court facilities fees	250,000	214,293	(35,707)
Unrestricted:			
Beer and wine tax	55,000	160,685	105,685
Payments in lieu of taxes	-	167,101	167,101
ABC profits	210,000	349,243	139,243
Croatan National Forest	100,000	59,183	(40,817)
	<u>12,117,639</u>	<u>12,588,120</u>	<u>470,481</u>
Sales and services:			
Solid waste	2,230,000	2,214,924	(15,076)
Civic center fees	170,520	196,565	26,045
Other	332,760	298,917	(33,843)
	<u>2,733,280</u>	<u>2,710,406</u>	<u>(22,874)</u>
Interest	700,000	310,381	(389,619)
Miscellaneous:			
Proceeds from sale of fixed assets	25,000	3,407	(21,593)
Other	213,355	161,561	(51,794)
	<u>238,355</u>	<u>164,968</u>	<u>(73,387)</u>
Total revenue	<u>73,061,514</u>	<u>73,152,847</u>	<u>91,333</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		\$ 62,019	
Operating expenses		292,759	
Professional services		81,735	
	<u>440,473</u>	<u>436,513</u>	<u>3,960</u>
Administration:			
Salaries and employee benefits		226,778	
Operating expenses		61,103	
	<u>392,808</u>	<u>287,881</u>	<u>104,927</u>
Information systems:			
Salaries and employee benefits		210,507	
Operating expenses		502,459	
	<u>715,359</u>	<u>712,966</u>	<u>2,393</u>
Finance:			
Salaries and employee benefits		540,844	
Operating expenses		43,369	
	<u>629,070</u>	<u>584,213</u>	<u>44,857</u>
Human resources:			
Salaries and employee benefits		216,442	
Operating expenses		49,781	
	<u>282,977</u>	<u>266,223</u>	<u>16,754</u>
Tax:			
Salaries and employee benefits		991,909	
Operating expenses		94,855	
Contract services		104,588	
	<u>1,281,023</u>	<u>1,191,352</u>	<u>89,671</u>
Revaluation:			
Salaries and employee benefits		198,810	
Operating expenses		92,804	
	<u>332,322</u>	<u>291,614</u>	<u>40,708</u>
Legal:			
Professional services	65,000	53,370	11,630
Court facilities:			
Operating expenses	65,765	55,903	9,862
Elections:			
Salaries and employee benefits		216,842	
Operating expenses		103,664	
	<u>456,490</u>	<u>320,506</u>	<u>135,984</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits		\$ 251,279	
Operating expenses		105,548	
	<u>394,880</u>	<u>356,827</u>	<u>38,053</u>
Public buildings:			
Salaries and employee benefits		558,206	
Operating expenses		595,320	
Capital outlay		186,532	
	<u>1,423,055</u>	<u>1,340,058</u>	<u>82,997</u>
Total general government	<u>6,479,222</u>	<u>5,897,426</u>	<u>581,796</u>
Public safety:			
Sheriff:			
Salaries and employee benefits		2,962,349	
Operating expenses		799,132	
Contract services		39,624	
Capital outlay		154,568	
	<u>4,012,952</u>	<u>3,955,673</u>	<u>57,279</u>
Communications:			
Salaries and employee benefits		245,853	
Operating expenses		22,847	
	<u>273,791</u>	<u>268,700</u>	<u>5,091</u>
Sheriff - Jail division:			
Salaries and employee benefits		1,423,456	
Operating expenses		628,481	
Contract services		269,238	
	<u>2,420,589</u>	<u>2,321,175</u>	<u>99,414</u>
Emergency medical service:			
Salaries and employee benefits		125,415	
Operating expenses		27,615	
Contract services		23,150	
	<u>177,378</u>	<u>176,180</u>	<u>1,198</u>
Paramedic operations:			
Salaries and employee benefits		537,528	
Operating expenses		137,477	
Capital outlay		27,825	
	<u>768,813</u>	<u>702,830</u>	<u>65,983</u>
Emergency management:			
Salaries and employee benefits		88,363	
Operating expenses		447,219	
Contract services		47,866	
	<u>625,647</u>	<u>583,448</u>	<u>42,199</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Rape crisis program:			
Salaries and employee benefits		\$ 137,564	
Operating expenses		30,579	
	193,400	168,143	25,257
Domestic violence program:			
Operating expenses	32,575	32,556	19
Fire Marshall:			
Salaries and employee benefits		76,650	
Operating expenses		14,168	
	93,847	90,818	3,029
Consolidated Communications:			
Salaries and employee benefits		669,975	
Operating expenses		128,340	
Capital outlay		28,679	
	828,006	826,994	1,012
Medical examiner:			
Professional services	50,000	41,600	8,400
Animal control:			
Salaries and employee benefits		183,190	
Operating expenses		204,511	
	451,309	387,701	63,608
Total public safety	9,928,307	9,555,818	372,489
Transportation:			
Harbors:			
Operating expenses	27,390	24,604	2,786
Beaufort-Morehead City Airport Authority	80,665	64,000	16,665
CCATS:			
Salaries and employee benefits		92,906	
Operating expenses		770,700	
Capital outlay		276,490	
	1,246,151	1,140,096	106,055
Total transportation	1,354,206	1,228,700	125,506
Environmental protection:			
Forest fire control	124,000	90,749	33,251
Tri-County solid waste collections	2,341,600	2,338,129	3,471
Soil conservation:			
Salaries and employee benefits		46,174	
Operating expenses		5,703	
	54,461	51,877	2,584

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits		\$ 395,097	
Operating expenses		309,016	
Contract services		4,213	
	<u>765,748</u>	<u>708,326</u>	<u>57,422</u>
Total environmental protection	3,285,809	3,189,081	96,728
Economic and physical development:			
Special appropriations:			
Economic Development Council		175,000	
Business development		25,000	
	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Beach nourishment			
Salaries and employee benefits		104,948	
Operating expenses		13,736	
Contract services		759,448	
	<u>1,240,870</u>	<u>878,132</u>	<u>362,738</u>
Planning and zoning:			
Salaries and employee benefits		614,301	
Operating expenses		74,267	
Contract services		47,741	
	<u>768,116</u>	<u>736,309</u>	<u>31,807</u>
Engineering:			
Salaries and employee benefits		113,961	
Operating expenses		28,116	
	<u>173,219</u>	<u>142,077</u>	<u>31,142</u>
Cooperative extension:			
Salaries and employee benefits		7,569	
Operating expenses		198,116	
	<u>234,266</u>	<u>205,685</u>	<u>28,581</u>
Total economic and physical development	2,616,471	2,162,203	454,268
Human Services:			
Health center:			
Salaries and employee benefits		968,433	
Operating expenses		213,459	
	<u>1,249,860</u>	<u>1,181,892</u>	<u>67,968</u>
Health promotion:			
Salaries and employee benefits		90,441	
Operating expenses		110	
	<u>90,998</u>	<u>90,551</u>	<u>447</u>
Breast & Cervical Cancer			
Salaries and employee benefits		13,463	
Operating expenses		17,406	
	<u>30,960</u>	<u>30,869</u>	<u>91</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits		\$ 151,339	
Operating expenses		18,869	
	179,401	170,208	9,193
Communicable Diseases			
Salaries and employee benefits		133,536	
Operating expenses		1,046	
	134,631	134,582	49
Operating Preparedness and Response			
Salaries and employee benefits		61,510	
Operating expenses		43,563	
Capital outlay		28,868	
	143,688	133,941	9,747
Family Planning			
Salaries and employee benefits		104,425	
Operating expenses		46,327	
	151,820	150,752	1,068
Maternal adult and child health:			
Salaries and employee benefits		260,714	
Operating expenses		1,882	
	267,052	262,596	4,456
Child care coordination:			
Salaries and employee benefits		177,808	
Operating expenses		1,099	
	184,695	178,907	5,788
Women, infants, and children:			
Administration:			
Salaries and employee benefits		223,106	
Operating expenses		12,491	
	243,050	235,597	7,453
Nutrition:			
Salaries and employee benefits		57,806	
Operating expenses		72	
	58,647	57,878	769
Environmental health:			
Salaries and employee benefits		1,022,584	
Operating expenses		89,728	
	1,153,064	1,112,312	40,752
Mental health:			
Mental health center and other		273,000	
Mental health, ABC		29,496	
	302,500	302,496	4
DSS administration:			
Salaries and employee benefits		5,328,187	
Operating expenses		967,644	
Professional services		1,000	
Capital outlay		79,384	
	6,504,473	6,376,215	128,258

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home		\$ 160,206	
Clothing and medical expense		13,461	
Special children adoption		6,490	
Childrens Adoption Incentive		32,086	
Smart Start day care		24,000	
Miscellaneous		24,504	
	<u>442,500</u>	<u>260,747</u>	<u>181,753</u>
TANF Block grant:			
TANF Block grant		102,901	
Operating expenses		44,576	
	<u>269,620</u>	<u>147,477</u>	<u>122,143</u>
DSS special assistance	<u>3,091,926</u>	<u>2,938,860</u>	<u>153,066</u>
Special projects	<u>513,241</u>	<u>501,407</u>	<u>11,834</u>
Other human services	<u>357,547</u>	<u>325,835</u>	<u>31,712</u>
Veteran services:			
Salaries and employee benefits		208,962	
Operating expenses		51,775	
Contracted services		67,283	
	<u>329,313</u>	<u>328,020</u>	<u>1,293</u>
Senior center operation:			
Salaries and employee benefits		198,761	
Operating expenses		56,155	
Contract services		147,350	
Capital outlay		6,070	
	<u>408,895</u>	<u>408,336</u>	<u>559</u>
Title III F grant:			
Salaries and employee benefits		5,115	
Operating expenses		1,543	
	<u>6,669</u>	<u>6,658</u>	<u>11</u>
Total human services	<u>16,114,550</u>	<u>15,336,136</u>	<u>778,414</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		462,708	
Operating expenses		175,819	
Contract services		10,512	
	<u>699,773</u>	<u>649,039</u>	<u>50,734</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2011

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits		\$ 321,392	
Operating expenses		139,889	
Contract services		27,535	
	<u>557,232</u>	<u>488,816</u>	<u>68,416</u>
Senior center:			
Salaries and employee benefits		100,853	
Operating expenses		44,469	
Contract services		13,562	
	<u>185,078</u>	<u>158,884</u>	<u>26,194</u>
Carteret County Library:			
Appropriations to Library Systems	<u>1,032,855</u>	<u>1,032,848</u>	<u>7</u>
Civic center:			
Salaries and employee benefits		192,550	
Operating expenses		111,065	
Contract services		4,989	
	<u>341,447</u>	<u>308,604</u>	<u>32,843</u>
Total culture and recreation	<u>2,816,385</u>	<u>2,638,191</u>	<u>178,194</u>
Education:			
Public schools, current expense	19,340,000	19,331,179	8,821
Community college, current expense	2,043,000	2,043,000	-
Community college, capital outlay	262,269	235,442	26,827
Total education	<u>21,645,269</u>	<u>21,609,621</u>	<u>35,648</u>
Debt service:			
Principal retirement	6,569,560	6,465,073	104,487
Interest and fees	3,149,300	2,943,555	205,745
Total debt service	<u>9,718,860</u>	<u>9,408,628</u>	<u>310,232</u>
Total expenditures	<u>73,959,079</u>	<u>71,025,804</u>	<u>2,933,275</u>
Revenue over (under) expenditures	<u>(897,565)</u>	<u>2,127,043</u>	<u>3,024,608</u>
Other financing sources (uses)			
Transfers in (out):			
From Occupancy Tax Fund	1,846,350	1,803,805	(42,545)
From School Bond Fund	101,806	101,806	-
From School Project Fund	-	77,617	77,617
From Emergency Telephone System Fund	-	8,948	8,948
From Beaufort Square Fund	-	2,588	2,588
To School Project Fund	(1,199,230)	(1,199,230)	-
To Water Fund	(205,000)	(205,000)	-
To Water Project Fund	(40,000)	(40,000)	-
To Capital Improvements Fund	(100,000)	(100,000)	-
To EOC Project Fund	(1,853,764)	(1,479,116)	374,648
Contingency reserves	(769,410)	-	769,410
Appropriated fund balance	3,116,813	-	(3,116,813)
Total other financing sources (uses)	<u>897,565</u>	<u>(1,028,582)</u>	<u>(1,926,147)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,098,461</u>	<u>\$ 1,098,461</u>
Fund balance			
Beginning		42,327,560	
Ending		<u>\$ 43,426,021</u>	

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Carteret County, North Carolina

2006 School Bond Project Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Original Project Estimate	Amended Project Estimate	Actual		
			Prior Years	Current Year	Total to Date
Revenue					
Interest	\$ -	\$ 110,356	\$ 2,766,268	\$ 6,651	\$ 2,772,919
Sales Tax Refunds	-	-	521,146	196,763	717,909
State Bond Proceeds	-	-	9,195	-	9,195
Total revenue	-	110,356	3,296,609	203,414	3,500,023
Expenditures					
Current:					
Atlantic Elementary School	-	774,124	774,123	-	774,123
Beaufort Middle School	-	2,242,355	2,242,355	-	2,242,355
Bogue Sound Elementary School	-	1,922,038	1,922,031	11,378	1,933,409
Broad Creek Middle School	197,667	2,267,911	2,157,910	-	2,157,910
Croatan High School	-	5,591,966	5,700,575	(63,382)	5,637,193
East Carteret High School	87,396	7,267,013	3,577,465	3,718,211	7,295,676
Harkers Island School	-	1,111,455	1,111,455	-	1,111,455
Morehead Middle School	77,265	1,522,842	1,522,842	-	1,522,842
Morehead Primary School	168,039	1,140,049	1,140,049	5,500	1,145,549
Newport Elementary School	-	4,144,562	4,144,563	-	4,144,563
Smyrna Elementary School	58,995	1,100,627	1,027,875	-	1,027,875
West Carteret High School	178,045	4,730,934	3,788,107	822,666	4,610,773
White Oak Elementary School	-	6,203,175	6,672,878	-	6,672,878
Central Office	-	214,187	214,187	-	214,187
Transportation Facility	-	336,488	336,488	-	336,488
Other Construction	-	336,051	420,805	20,833	441,638
Issuance cost	100,000	219,500	140,935	66,745	207,680
Capital outlay	20,771,955	2,394,599	-	-	-
Total expenditures	21,639,362	43,519,876	36,894,643	4,581,951	41,476,594
Revenue under expenditures	(21,639,362)	(43,409,520)	(33,598,034)	(4,378,537)	(37,976,571)
Other financing sources (uses)					
Transfer from other funds	-	184,811	436,593	-	436,593
Long-term debt issued	22,000,000	45,229,721	36,100,000	5,653,860	41,753,860
Bond premium	365,126	438,626	438,267	-	438,267
Transfer to other funds	(725,764)	(2,443,638)	(2,152,556)	(101,806)	(2,254,362)
Total other financing sources	21,639,362	43,409,520	34,822,304	5,552,054	40,374,358
Revenue over (under) expenditures and other sources	\$ -	\$ -	\$ 1,224,270	1,173,517	\$ 2,397,787
Fund balances:					
Beginning				1,224,270	
Ending				<u>2,397,787</u>	

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2011

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 489,275	\$ 2,980,577	\$ 3,469,852
Restricted cash and investments	2,760,059	337,735	3,097,794
Receivables, net	1,697,299	-	1,697,299
Total assets	\$ 4,946,633	\$ 3,318,312	\$ 8,264,945
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable and accrued liabilities	\$ 688,483	\$ 150,805	\$ 839,288
Due to other funds	250,503	-	250,503
Deferred revenue	488,670	-	488,670
Total liabilities	1,427,656	150,805	1,578,461
Fund balances (deficits):			
Restricted:			
Public safety	401,499	-	401,499
Economic development	751,509	-	751,509
Rescue protection	1,150,690	-	1,150,690
Fire protection	1,734,943	-	1,734,943
School capital	-	337,735	337,735
Committed:			
Economic development	-	721,756	721,756
School capital	-	432,914	432,914
Assigned:			
Subsequent year's expenditures	161,271	-	161,271
County capital	-	1,675,102	1,675,102
Unassigned:	(680,935)	-	(680,935)
Total fund balance	3,518,977	3,167,507	6,686,484
Total liabilities and fund balance	\$ 4,946,633	\$ 3,318,312	\$ 8,264,945

Carteret County, North Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2011

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenue			
Ad valorem taxes	\$ 6,302,802	\$ -	\$ 6,302,802
Other taxes and licenses	5,893,072	-	5,893,072
Intergovernmental	662,734	194,693	857,427
Interest	44,316	40,440	84,756
Total revenue	12,902,924	235,133	13,138,057
Expenditures			
Current:			
Public safety	9,039,416	-	9,039,416
Economic and physical development	2,726,964	-	2,726,964
Capital outlay	-	3,852,969	3,852,969
Total expenditures	11,766,380	3,852,969	15,619,349
Revenue over (under) expenditures	1,136,544	(3,617,836)	(2,481,292)
Other financing sources (uses)			
Transfers in	-	2,778,346	2,778,346
Transfers out	(1,812,753)	(140,205)	(1,952,958)
Total other financing sources (uses)	(1,812,753)	2,638,141	825,388
Net change in fund balance	(676,209)	(979,695)	(1,655,904)
Fund balances			
Beginning	4,195,186	4,147,202	8,342,388
Ending	\$ 3,518,977	\$ 3,167,507	\$ 6,686,484

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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, 2011

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 489,275
Restricted cash and investments	1,108,006	1,652,053	-
Receivables:			
Property taxes receivable, net	192,514	296,156	-
Accounts receivable	161,762	248,769	46,589
Total assets	\$ 1,462,282	\$ 2,196,978	\$ 535,864
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ 107,476	\$ 139,468	\$ 11,107
Due to other funds	-	-	-
Deferred revenue	192,514	296,156	-
Total liabilities	299,990	435,624	11,107
Fund balances (deficits):			
Restricted:			
Public safety	-	-	401,499
Economic development	-	-	-
Rescue protection	1,150,690	-	-
Fire protection	-	1,734,943	-
Assigned:			
Subsequent year's expenditures	11,602	26,411	123,258
Unassigned:			
Total fund balances (deficit)	1,162,292	1,761,354	524,757
Total liabilities and fund balances	\$ 1,462,282	\$ 2,196,978	\$ 535,864

Occupancy Tax Fund	CDBG 2006 SSH Fund	CDBG 2009 CR Fund	Totals
\$ -	\$ -	\$ -	\$ 489,275
-	-	-	2,760,059
-	-	-	488,670
740,585	-	10,924	1,208,629
\$ 740,585	\$ -	\$ 10,924	\$ 4,946,633

\$ 430,432	\$ -	\$ -	\$ 688,483
238,724	855	10,924	250,503
-	-	-	488,670
669,156	855	10,924	1,427,656

-	-	-	401,499
740,585	-	10,924	751,509
-	-	-	1,150,690
-	-	-	1,734,943
-	-	-	161,271
(669,156)	(855)	(10,924)	(680,935)
71,429	(855)	-	3,518,977
\$ 740,585	\$ -	\$ 10,924	\$ 4,946,633

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Deficits)
Year Ended June 30, 2011

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Revenue			
Ad valorem taxes	\$ 2,419,457	\$ 3,883,345	\$ -
Other taxes and licenses	571,603	878,582	-
Intergovernmental	-	-	559,066
Interest	12,162	21,039	11,073
Total revenue	3,003,222	4,782,966	570,139
Expenditures			
Public safety	2,744,120	4,591,678	1,703,618
Economic and physical development	-	-	-
Total expenditures	2,744,120	4,591,678	1,703,618
Revenue over (under) expenditures	259,102	191,288	(1,133,479)
Other financing uses			
Transfers out	-	-	(8,948)
Total other financing uses	-	-	(8,948)
Revenue and other financing sources over expenditures and other financing uses	259,102	191,288	(1,142,427)
Fund balances (deficits)			
Beginning	903,190	1,570,066	1,667,184
Ending	\$ 1,162,292	\$ 1,761,354	\$ 524,757

Occupancy Tax Fund	CDBG 2006 SSH Fund	CDBG 2009 CR Fund	Totals
\$ -	\$ -	\$ -	\$ 6,302,802
4,442,887	-	-	5,893,072
-	92,744	10,924	662,734
42	-	-	44,316
4,442,929	92,744	10,924	12,902,924
-	-	-	9,039,416
2,622,606	93,434	10,924	2,726,964
2,622,606	93,434	10,924	11,766,380
1,820,323	(690)	-	1,136,544
(1,803,805)	-	-	(1,812,753)
(1,803,805)	-	-	(1,812,753)
16,518	(690)	-	(676,209)
54,911	(165)	-	4,195,186
\$ 71,429	\$ (855)	\$ -	\$ 3,518,977

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 2,330,015	\$ 2,419,457	\$ 89,442
Other taxes and licenses:			
Local option sales tax	522,000	571,603	49,603
Interest	-	12,162	12,162
Total revenue	2,852,015	3,003,222	151,207
Expenditures			
Public safety:			
Beaufort	750,625	750,625	-
Broad and Gales Creek	320,430	320,430	-
Mill Creek	77,185	77,185	-
Mitchell Village	211,376	211,376	-
Otway	124,400	124,400	-
Sea Level	275,820	275,820	-
Western Carteret	420,810	420,810	-
District reserves	149,369	53,871	95,498
Local sales tax	522,000	509,603	12,397
Total expenditures	2,852,015	2,744,120	107,895
Revenue over expenditures	-	259,102	(259,102)
Other financing sources			
Appropriated fund balance	-	-	-
Revenue and other financing sources over expenditures	\$ -	259,102	\$ 259,102
Fund balances			
Beginning		903,190	
Ending		<u>\$ 1,162,292</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 3,756,685	\$ 3,883,345	\$ 126,660
Other taxes and licenses:			
Local option sales tax	787,100	878,582	91,482
Interest	-	21,039	21,039
Total revenue	4,543,785	4,782,966	239,181
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	78,813	78,813	-
Beaufort	265,762	265,762	-
Broad and Gales Creek	344,030	344,030	-
Cedar Island	50,670	50,670	-
Davis	74,931	74,931	-
Harkers Island	317,789	317,789	-
Harlowe	72,018	72,018	-
Marshallberg	212,188	212,188	-
Mill Creek	30,905	30,905	-
Mitchell Village, Crab Point	323,674	323,674	-
Newport	311,010	311,010	-
North River	63,474	63,474	-
Otway	139,693	139,693	-
Salter Path	38,025	38,025	-
Sea Level	56,000	56,000	-
South River	129,356	129,356	-
Stacy	23,287	23,287	-
Stella	80,902	80,902	-
Wildwood	470,404	470,404	-
Western Carteret	480,000	480,000	-
District reserves	383,191	266,757	116,434
Local sales tax	787,100	761,990	25,110
Total expenditures	4,733,222	4,591,678	141,544
Revenue over (under) expenditures	(189,437)	191,288	380,725
Other financing sources			
Appropriated fund balance	189,437	-	(189,437)
Revenue and other financing sources over expenditures	\$ -	191,288	\$ 191,288
Fund balances			
Beginning		1,570,066	
Ending		<u>\$ 1,761,354</u>	

Carteret County, North Carolina

Emergency Telephone System Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ 560,000	\$ 559,066	\$ (934)
Interest	5,000	11,073	6,073
Total revenue	565,000	570,139	5,139
Expenditures			
Public safety:			
Operating expenses	445,000	447,997	(2,997)
Contracted services	190,000	53,409	136,591
Capital outlay	1,121,236	1,202,212	(80,976)
Total expenditures	1,756,236	1,703,618	52,618
Revenue under expenditures	(1,191,236)	(1,133,479)	57,757
Other financing sources (uses)			
Transfers out	-	(8,948)	(8,948)
Fund balance appropriated	1,191,236	-	(1,191,236)
Total other financing sources (uses)	1,191,236	(8,948)	(1,200,184)
Revenue and other financing sources (uses) under expenditures	\$ -	(1,142,427)	\$ (1,142,427)
Fund balances			
Beginning		1,667,184	
Ending		<u>\$ 524,757</u>	

Carteret County, North Carolina

Occupancy Tax Fund

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenue			
Other taxes and licenses:			
Occupancy taxes	\$ 4,525,000	\$ 4,441,300	\$ (83,700)
Occupancy taxes, penalties and interest	5,000	1,587	(3,413)
Interest	3,000	42	(2,958)
Total revenue	<u>4,533,000</u>	<u>4,442,929</u>	<u>(90,071)</u>
Expenditures			
Economic and physical development:			
Tourism:			
Tourism Development Authority	2,686,650	2,622,606	64,044
Total expenditures	<u>2,686,650</u>	<u>2,622,606</u>	<u>64,044</u>
Revenue over expenditures	<u>1,846,350</u>	<u>1,820,323</u>	<u>(26,027)</u>
Other financing uses			
Transfers out	<u>(1,846,350)</u>	<u>(1,803,805)</u>	<u>42,545</u>
Revenue over expenditures and other financing uses	<u>\$ -</u>	<u>16,518</u>	<u>\$ 16,518</u>
Fund balances			
Beginning		<u>54,911</u>	
Ending		<u>\$ 71,429</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, 2011

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant 2006	\$ 400,000	\$ 307,256	\$ 92,744	\$ 400,000
Community Development Block Grant 2009	400,000	-	-	-
Total revenue	800,000	307,256	92,744	400,000
Expenditures				
Economic and physical development:				
2006 program				
Clearance 2006	3,000	15,818	-	15,818
Relocation 2006	60,000	131,511	(17,008)	114,503
Rehabilitation 2006	297,000	134,072	108,254	242,326
Administration 2006	40,000	26,020	1,333	27,353
	400,000	307,421	92,579	400,000
2009 program				
Clearance 2009	15,000	-	-	-
Relocation 2009	195,000	-	-	-
Rehabilitation 2009	150,000	-	145	145
Administration 2009	40,000	-	710	710
	400,000	-	855	855
Total expenditures	800,000	307,421	93,434	400,855
Revenue under expenditures	\$ -	\$ (165)	(690)	\$ (855)
Fund balances (deficit)				
Beginning			(165)	
Ending			\$ (855)	

Carteret County, North Carolina

CDBG 2009 CR Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2011

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant	\$ 1,000,000	\$ -	\$ 10,924	\$ 10,924
Total Revenue	1,000,000	-	10,924	10,924
Expenditures				
Economic and Physical Development:				
Clearance	15,000	-	-	-
Relocation	340,000	-	-	-
Rehabilitation	401,000	-	5,600	5,600
Administration	84,500	-	5,324	5,324
Drainage	9,500	-	-	-
Park/ Playground Facility	150,000	-	-	-
	1,000,000	-	10,924	10,924
Revenue over expenditures	\$ -	\$ -	-	\$ -
Fund balances				
Beginning			-	
Ending			\$ -	

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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, 2011

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 721,756	\$ 1,680,438	\$ 541,185
Restricted cash and investments	-	-	265
Accounts receivable	-	-	-
Total assets	\$ 721,756	\$ 1,680,438	\$ 541,450
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 5,336	\$ 145,469
Total liabilities	-	5,336	145,469
Fund balances :			
Restricted:			
School capital	-	-	265
Committed:			
Economic development	721,756	-	-
School capital	-	-	395,716
Assigned:			
County capital	-	1,675,102	-
Total fund balances	721,756	1,675,102	395,981
Total liabilities and fund balances	\$ 721,756	\$ 1,680,438	\$ 541,450

**Morehead
Elementary
School**

Fund	Totals
\$ 37,198	\$ 2,980,577
337,470	337,735
-	-
\$ 374,668	\$ 3,318,312

\$ -	\$ 150,805
-	150,805

337,470	337,735
-	721,756
37,198	432,914
-	1,675,102
374,668	3,167,507
\$ 374,668	\$ 3,318,312

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Revenue			
Intergovernmental	\$ -	\$ 194,693	\$ -
Interest	9,719	23,368	7,439
Total revenue	9,719	218,061	7,439
Expenditures			
Capital outlay	-	1,421,075	1,504,960
Revenue over (under) expenditures	9,719	(1,203,014)	(1,497,521)
Other financing sources (uses)			
Transfers in	-	100,000	1,199,230
Transfers out	-	(60,000)	(77,617)
Total other financing sources (uses)	-	40,000	1,121,613
Revenue and other financing sources over (under) expenditures and other financing uses	9,719	(1,163,014)	(375,908)
Fund balances			
Beginning	712,037	2,838,116	771,889
Ending	\$ 721,756	\$ 1,675,102	\$ 395,981

Morehead Elementary School Fund	Beaufort Square and County 911 Fund	Totals
\$ -	\$ -	\$ 194,693
(199)	113	40,440
(199)	113	235,133
122,159	804,775	3,852,969
(122,358)	(804,662)	(3,617,836)
-	1,479,116	2,778,346
-	(2,588)	(140,205)
-	1,476,528	2,638,141
(122,358)	671,866	(979,695)
497,026	(671,866)	4,147,202
\$ 374,668	\$ -	\$ 3,167,507

Carteret County, North Carolina

County Capital Reserve Fund

**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011**

	Budget	Actual	Variance Positive
Revenue			
Interest	\$ -	\$ 9,719	\$ 9,719
Revenue over expenditures	<u>\$ -</u>	<u>9,719</u>	<u>9,719</u>
Fund balances			
Beginning		712,037	
Ending		<u>\$ 721,756</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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ 227,500	\$ 194,693	\$ (32,807)
Interest	10,000	23,368	13,368
Total revenues	237,500	218,061	(19,439)
Expenditures			
Capital outlay:			
Aerial Mapping	72,600	72,597	3
Water Access Morehead City Partnership	100,000	100,000	-
Water Access Emerald Isle Partnership	296,000	158,125	137,875
Western Park Improvements	267,876	87,623	180,253
Newport Park Development	1,384,109	960,409	423,700
Library Building Renovation	650,000	42,321	607,679
Total expenditures	2,770,585	1,421,075	1,349,510
Revenues under expenditures	(2,533,085)	(1,203,014)	1,330,071
Other financing sources			
Transfer in from General Fund	100,000	100,000	-
Transfer to Water Fund	(60,000)	(60,000)	-
Fund Balance Appropriated	2,493,085	-	(2,493,085)
Total other financing sources	2,533,085	40,000	(2,493,085)
Revenue and other financing sources under expenditures	\$ -	(1,163,014)	\$ (1,163,014)
Fund balances			
Beginning		2,838,116	
Ending		<u>\$ 1,675,102</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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenue			
Interest	\$ 15,004	\$ 7,439	\$ (7,565)
Total revenues	15,004	7,439	(7,565)
Expenditures			
Capital outlay, Board of Education	1,720,898	1,504,960	215,938
Revenues under expenditures	(1,705,894)	(1,497,521)	208,373
Other financing sources			
Transfer from General Fund	1,199,230	1,199,230	-
Transfer to General Fund	(77,606)	(77,617)	(11)
Fund balance appropriated	584,270	-	(584,270)
Total other financing sources	1,705,894	1,121,613	(584,281)
Revenue and other financing sources under expenditures	\$ -	(375,908)	\$ (375,908)
Fund balances			
Beginning		771,889	
Ending		<u>\$ 395,981</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, 2011

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ 32,876	\$ -	\$ 32,876
Interest	-	76,790	(199)	76,591
Total revenues	-	109,666	(199)	109,467
Expenditures				
Capital outlay:				
Building Improvements Morehead	2,000,000	1,612,641	122,159	1,734,800
Building Improvements Newport	1,781,354	1,781,353	-	1,781,353
Total expenditures	3,781,354	3,393,994	122,159	3,516,153
Revenue under expenditures	(3,781,354)	(3,284,328)	(122,358)	(3,406,686)
Other financing sources				
Long-term debt issued	3,781,354	3,781,354	-	3,781,354
Revenue and other financing sources over (under) expenditures	\$ -	\$ 497,026	(122,358)	\$ 374,668
Fund balances				
Beginning			<u>497,026</u>	
Ending			<u>\$ 374,668</u>	

Carteret County, North Carolina

Beaufort Square and County 911 Center

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2011

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ 3,000	\$ -	\$ 3,000
Interest	-	1,182	113	1,295
Total revenue	-	4,182	113	4,295
Expenditures				
Capital outlay:				
Beaufort Square Project	1,500,000	1,481,701	-	1,481,701
911 Center Project	2,183,710	701,057	804,775	1,505,832
Total expenditures	3,683,710	2,182,758	804,775	2,987,533
Revenue under expenditures	(3,683,710)	(2,178,576)	(804,662)	(2,983,238)
Other financing sources (uses)				
Transfer from General Fund	1,183,710	23,710	1,479,116	1,502,826
Long-term debt issued	2,500,000	1,483,000	-	1,483,000
Transfer to General Fund	-	-	(2,588)	(2,588)
Total other sources	3,683,710	1,506,710	1,476,528	2,983,238
Revenue and other financing sources over (under) expenditures	\$ -	\$ (671,866)	671,866	\$ -
Fund balances (deficit)				
Beginning			(671,866)	
Ending			\$ -	

Enterprise Fund

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenue, Operating			
Charges for services	\$ 434,000	\$ 457,668	\$ 23,668
Total operating revenues	434,000	457,668	23,668
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	219,550	217,377	2,173
Operating expense	169,315	213,358	(44,043)
Contracted services	37,000	36,861	139
Total operating expenditures	425,865	467,596	(41,731)
Operating revenue over (under) operating expenditures	8,135	(9,928)	(18,063)
Nonoperating Revenue (Expenditures)			
Interest earnings	5,600	8,662	3,062
Capital grant	80,000	80,000	-
Revolving loan interest	(88,500)	(72,589)	15,911
Principal payments	(171,035)	(171,032)	3
Capital outlay	(184,200)	(177,720)	6,480
Total nonoperating revenue (expenditures)	(358,135)	(332,679)	25,456
Revenue under expenditures	(350,000)	(342,607)	7,393
Other Financing Sources (Uses)			
Transfer from other funds	265,000	265,000	-
Appropriated Fund Balance	85,000	-	(85,000)
Total other financing sources Revenue and other sources under expenditures	\$ -	\$ (77,607)	\$ (77,607)
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other financing uses over expenditures		\$ (77,607)	
Decrease in debt interest accrued		801	
Increase in accrued vacation pay		(1,563)	
Depreciation		(308,377)	
Principal on debt		171,032	
Capital contributions in water project fund		304,395	
Interest income from water project fund		17	
Transfer from general fund to water project fund		40,000	
Capital outlay		177,720	
Change in net assets, full accrual basis		\$ 306,418	

Carteret County, North Carolina

Highway 101 Phase II Water Project Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2011

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Rural Center Grant	\$ 670,000	\$ 115,605	\$ 304,395	\$ 420,000
USDA Grant	1,515,000	-	-	-
Interest	-	-	17	17
	2,185,000	115,605	304,412	420,017
Expenditures				
Engineering and other	92,500	5,237	96,562	101,799
Land	120,000	-	152,310	152,310
Capital outlay	3,294,500	576,635	737,785	1,314,420
	3,507,000	581,872	986,657	1,568,529
Revenue under expenditures	(1,322,000)	(466,267)	(682,245)	(1,148,512)
Other financing sources				
Transfer from General Fund	40,000	-	40,000	40,000
Revenue Bond Anticipation Note	-	-	1,046,000	1,046,000
USDA Loan Proceeds	1,046,000	-	-	-
Loan Proceeds	236,000	-	-	-
Total other financing sources	1,322,000	-	1,086,000	1,086,000
Revenue and other financing sources over (under) expenditures	\$ -	\$ (466,267)	\$ 403,755	\$ (62,512)

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Agency Funds

Carteret County, North Carolina

Agency Funds

**Combining Balance Sheet
June 30, 2011**

	Sheriff's Department Fund	Social Services Trust Fund	Motor Vehicle Agency	Deed of Trust Agency	Totals
Assets					
Cash	<u>\$ 37,428</u>	<u>\$ 27,522</u>	<u>\$ 1,137</u>	<u>\$ 1,275</u>	<u>\$ 67,362</u>
Liabilities					
Accounts payable and accrued liabilities	<u>\$ 37,428</u>	<u>\$ 27,522</u>	<u>\$ 1,137</u>	<u>\$ 1,275</u>	<u>\$ 67,362</u>

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2011**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Sheriff's Department Fund:				
Assets, cash	\$ 38,885	\$ 211,115	\$ 212,572	\$ 37,428
Liabilities	\$ 38,885	\$ 211,115	\$ 212,572	\$ 37,428
Social Services Trust Fund:				
Assets, cash	\$ 31,610	\$ 120,982	\$ 125,070	\$ 27,522
Liabilities	\$ 31,610	\$ 120,982	\$ 125,070	\$ 27,522
Motor Vehicle Agency:				
Assets, cash	\$ 1,069	\$ 14,562	\$ 14,494	\$ 1,137
Liabilities	\$ 1,069	\$ 14,562	\$ 14,494	\$ 1,137
Deed of Trust Agency:				
Assets, cash	\$ -	\$ 19,075	\$ 17,800	\$ 1,275
Liabilities	\$ -	\$ 19,075	\$ 17,800	\$ 1,275
Totals - All Agency Funds:				
Assets, cash	\$ 71,564	\$ 365,734	\$ 369,936	\$ 67,362
Liabilities:				
Accounts payable and accrued liabilities	\$ 71,564	\$ 365,734	\$ 369,936	\$ 67,362

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Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source

June 30, 2011

	2011	2010
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,107,647	4,960,436
Construction in progress	18,934	2,237,753
Buildings	27,349,801	27,229,668
Vehicles	4,687,794	4,331,921
Equipment	6,003,322	4,815,594
Airport facilities	1,524,747	1,524,747
Other improvements	9,293,897	6,580,950
Leasehold improvements	2,590,428	1,481,701
Total governmental funds capital assets	\$ 56,746,119	\$ 53,332,319
Investment in governmental funds capital assets		
General Fund	\$ 51,836,477	\$ 49,383,086
Capital Project Funds	4,909,642	3,949,233
Total investment in governmental funds capital assets	\$ 56,746,119	\$ 53,332,319

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2011

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 18,880
Tax Administration	8,862	-	86,737	272,345
Register of Deeds	-	17,665	-	263,765
Elections	-	-	-	505,242
Information Technology	-	-	-	678,550
Public Buildings	1,518,914	7,554,613	212,176	18,230
Other	-	-	-	22,259
Total General Government	1,527,776	7,572,278	298,913	1,779,271
Public Safety:				
Law Enforcement	417,991	8,614,309	1,356,345	313,111
Emergency Services	43,000	16,850	368,263	2,986,737
Total Public Safety	460,991	8,631,159	1,724,608	3,299,848
Transportation	169,549	-	962,034	-
Environmental Protection	153,875	64,308	443,777	304,147
Economic and Physical Development	111,178	-	165,731	97,930
Human Services	303,776	7,248,928	827,055	225,680
Culture and Recreation	2,550,051	3,833,128	265,676	296,446
Total governmental funds capital assets	\$ 5,277,196	\$ 27,349,801	\$ 4,687,794	\$ 6,003,322

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 18,880
-	-	-	-	367,944
-	16,000	-	-	297,430
-	-	-	-	505,242
-	116,944	-	-	795,494
-	2,054,285	-	-	11,358,218
-	-	-	-	22,259
-	2,187,229	-	-	13,365,467
-	589,491	-	-	11,291,247
-	-	1,108,727	-	4,523,577
-	589,491	1,108,727	-	15,814,824
1,524,747	41,142	-	-	2,697,472
-	-	-	-	966,107
-	-	-	-	374,839
-	30,000	-	-	8,635,439
-	6,446,035	1,481,701	18,934	14,891,971
\$ 1,524,747	\$ 9,293,897	\$ 2,590,428	\$ 18,934	\$ 56,746,119

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2011

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2010	Additions	Deductions	Transfers	Capital Assets June 30, 2011
General Government:					
County administration	\$ 18,880	\$ -	\$ -	\$ -	\$ 18,880
Tax administration	367,944	-	-	-	367,944
Register of Deeds	297,430	-	-	-	297,430
Elections	505,242	-	-	-	505,242
Information technology	795,494	-	-	-	795,494
Public buildings	11,150,610	186,532	-	21,076	11,358,218
Other	22,259	-	-	-	22,259
Total General Government	13,157,859	186,532	-	21,076	13,365,467
Public Safety:					
Law enforcement	11,180,161	154,568	22,406	(21,076)	11,291,247
Emergency services	2,797,768	2,426,867	701,058	-	4,523,577
Total Public Safety	13,977,929	2,581,435	723,464	(21,076)	15,814,824
Transportation	2,400,543	276,490	-	20,439	2,697,472
Environmental protection	1,000,746	-	34,639	-	966,107
Economic and physical development	374,839	-	-	-	374,839
Human services	8,576,465	114,322	34,909	(20,439)	8,635,439
Culture and recreation	13,843,938	2,550,980	1,502,947	-	14,891,971
Total governmental funds capital assets	\$ 53,332,319	\$ 5,709,759	\$ 2,295,959	\$ -	\$ 56,746,119

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, 2011**

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections	Adjustments	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 44,397,414	\$ 43,043,486	\$ (35,784)	\$ 1,318,144
2009-2010	1,296,661	-	658,458	(17,991)	620,212
2008-2009	508,921	-	143,936	(24,554)	340,431
2007-2008	202,625	-	48,197	9,212	163,640
2006-2007	162,595	-	26,100	27,501	163,996
2005-2006	114,056	-	11,676	3,747	106,127
2004-2005	46,142	-	6,696	3,065	42,511
2003-2004	39,106	-	2,874	3,103	39,335
2002-2003	34,024	-	2,308	23	31,739
2001-2002	28,247	-	2,022	(1,935)	24,290
2000-2001	23,406	-	976	(17,922)	4,508
	<u>\$ 2,455,783</u>	<u>\$ 44,397,414</u>	<u>\$ 43,946,729</u>	<u>\$ (51,535)</u>	<u>2,854,933</u>
Less write-off 2000-2001 tax year					<u>(4,508)</u>
					<u>2,850,425</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>409,857</u>
Net property taxes receivable - General Fund					<u><u>\$ 2,440,568</u></u>
Reconciliation with revenue: Ad valorem taxes - General Fund					<u><u>\$ 43,946,729</u></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2011

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 19,119,030,870	0.23	\$ 43,973,771	\$ 43,184,163	\$ 789,608
Motor vehicles taxes at prior year's rate	184,192,609	0.23	423,643	-	423,643
Total	19,303,223,479		44,397,414	43,184,163	1,213,251
Discoveries:					
Current year taxes	310,141,739		713,326	83,012	630,314
Corrections	(259,293,913)		(596,376)	36,322	(632,698)
Total	50,847,826		116,950	119,334	(2,384)
Abatements	(66,406,087)		(152,734)	(120,750)	(31,984)
Total property valuation	\$ 19,287,665,218				
Net levy-General Fund			44,361,630	43,182,747	1,178,883
Uncollected taxes at June 30, 2011 - General Fund			1,318,144	1,163,056	155,088
Current year's taxes collected - General Fund			\$ 43,043,486	\$ 42,019,691	\$ 1,023,795
Current levy collection percentage - General Fund			97.03%	97.31%	86.84%

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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	143
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	157
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	167
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, 2011 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 Nine Fiscal Years
(accrual basis of accounting)**

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

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

Carteret County, North Carolina

**Changes in Net Assets,
Last Nine 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)

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 4,996,540	\$ 6,133,328	\$ 6,254,064	\$ 6,558,268	\$ 6,369,989	\$ 6,290,765
13,459,003	14,263,740	16,381,281	16,599,129	16,919,404	19,094,741
710,225	979,342	892,718	858,784	907,113	1,107,365
5,571,720	5,543,270	4,848,724	5,207,919	4,469,445	4,925,627
3,362,113	2,916,754	2,914,590	3,105,363	3,130,735	3,274,042
14,971,013	15,939,574	16,656,957	16,302,247	15,071,578	15,713,990
2,910,221	2,990,410	3,355,687	3,182,526	4,198,808	2,108,234
21,224,743	30,048,298	47,189,262	35,465,104	31,982,375	28,623,466
2,281,034	2,934,102	3,690,063	3,493,485	3,197,911	3,087,406
69,486,612	81,748,818	102,183,346	90,772,825	86,247,358	84,225,636
607,483	728,319	813,171	934,919	798,432	849,324
\$ 70,094,095	\$ 82,477,137	\$ 102,996,517	\$ 91,707,744	\$ 87,045,790	\$ 85,074,960

Carteret County, North Carolina

**Changes in Net Assets,
Last Nine 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)	-	-
Education	-	-	-
Total governmental activities program revenues	11,922,033	15,670,685	16,329,549

(Continued)

Fiscal Year							
2006	2007	2008	2009	2010	2011		
\$ 3,328,301	\$ 2,136,825	\$ 1,917,552	\$ 1,561,770	\$ 1,477,628	\$ 1,486,751		
227,728	197,975	232,885	174,213	162,804	186,134		
86,527	93,686	86,039	95,664	125,360	327,244		
832,350	909,245	650,171	414,507	435,466	511,550		
2,136,283	2,209,037	2,229,849	2,247,269	2,243,091	2,214,925		
557,621	616,532	564,816	415,474	382,602	330,817		
238,638	287,314	222,019	203,376	213,789	238,376		
-	-	-	-	-	-		
234,518	375,440	52,670	68,319	38,218	-		
795,183	414,350	736,971	1,408,259	1,264,069	1,725,254		
268,667	377,847	315,952	389,394	403,443	162,064		
256,175	1,394,075	82,939	848,310	665,788	129,447		
573,220	-	342,511	16,114	22,176	15,542		
6,975,699	7,595,165	8,637,735	8,402,963	8,494,321	9,274,540		
-	1,680	1,165	-	7,365	3,242		
506,611	160,871	290,335	136,401	148,415	255,946		
-	850,000	850,000	1,377,380	700,000	800,000		
191,221	-	-	-	-	57,660		
143,313	-	63,694	-	-	251,957		
508,607	-	-	158,668	-	-		
-	-	-	-	-	-		
48,641	-	-	1,134,485	236,993	194,693		
-	-	-	387,070	-	-		
17,909,303	17,620,042	17,277,303	19,439,636	17,021,528	18,166,142		

Carteret County, North Carolina

**Changes in Net Assets,
Last Nine 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

Fiscal Year		2006	2007	2008	2009	2010	2011				
\$	361,888	\$	493,342	\$	550,256	\$	573,359	\$	564,172	\$	457,668
	-		-		-		-		-		-
	-		146,065		-		167,757		115,605		384,395
	361,888		639,407		550,256		741,116		679,777		842,063
\$	18,271,191	\$	18,259,449	\$	17,827,559	\$	20,180,752	\$	17,701,305	\$	19,008,205
\$	(51,577,309)	\$	(64,128,776)	\$	(84,906,043)	\$	(71,333,189)	\$	(69,225,830)	\$	(66,059,494)
	(245,595)		(88,912)		(262,915)		(193,803)		(118,655)		(7,261)
\$	(51,822,904)	\$	(64,217,688)	\$	(85,168,958)	\$	(71,526,992)	\$	(69,344,485)	\$	(66,066,755)
\$	38,994,213	\$	42,377,566	\$	48,592,344	\$	50,175,809	\$	50,528,632	\$	51,159,340
	14,303,322		16,794,865		17,531,935		14,210,399		12,277,230		12,051,519
	6,730,679		5,276,663		5,415,909		4,542,881		4,398,904		4,595,602
	164,954		397,918		665,684		263,104		462,860		677,029
	1,302,511		3,196,255		3,310,752		1,593,849		790,705		401,788
	1,538		142,989		90,195		60,939		703,663		79,807
	(210,940)		(289,000)		(278,000)		(258,000)		(205,000)		(305,000)
	61,286,277		67,897,256		75,328,819		70,588,981		68,956,994		68,660,085
	8,924		23,451		33,908		16,840		15,722		8,679
	56,084		10,574		-		-		-		-
	210,940		289,000		278,000		258,000		205,000		305,000
	275,948		323,025		311,908		274,840		220,722		313,679
\$	61,562,225	\$	68,220,281	\$	75,640,727	\$	70,863,821	\$	69,177,716	\$	68,973,764
\$	9,708,968	\$	3,768,480	\$	(9,577,224)	\$	(744,208)	\$	(268,836)	\$	2,600,591
	30,353		234,113		48,993		81,037		102,067		306,418
\$	9,739,321	\$	4,002,593	\$	(9,528,231)	\$	(663,171)	\$	(166,769)	\$	2,907,009

Carteret County, North Carolina

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

	2002	2003	2004	2005
General Fund				
Reserved for:				
State statute	\$ 4,029,812	\$ 3,597,460	\$ 4,559,818	\$ 5,407,652
Prepaid items	-	-	-	-
Sheriff's fund	53,256	37,620	35,085	49,755
Debt Service	1,090,339	107,643	-	-
Recreation districts	56,317	58,047	61,462	62,739
Health programs	546,735	572,992	863,342	934,948
Register of deeds	32,248	132,889	167,528	113,478
Beach nourishment	319,080	502,684	890,063	1,340,869
Total reserve	6,127,787	5,009,335	6,577,298	7,909,441
Unreserved:				
Designated for subsequent year's expenditures	150,000	659,590	694,536	1,230,000
Undesignated	7,731,989	9,809,415	12,054,667	14,115,874
Total General Fund	\$ 14,009,776	\$ 15,478,340	\$ 19,326,501	\$ 23,255,315
All Other Governmental Funds				
Reserved for:				
State statute	\$ 1,472,683	\$ 952,829	\$ 1,015,324	\$ 1,301,271
E911 wireless	-	-	-	-
Special districts	-	-	-	-
	1,472,683	952,829	1,015,324	1,301,271
Unreserved:				
Designated for subsequent year's expenditures	2,225,540	11,696,201	3,142,539	310,643
Undesignated special revenue funds	(604,463)	(551,173)	(672,314)	(740,779)
Undesignated capital projects funds	1,314,414	1,397,660	1,681,975	1,883,349
Total all other governmental funds	\$ 4,408,174	\$ 13,495,517	\$ 5,167,524	\$ 2,754,484

Schedule 3
Page 1 of 2

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

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

	<u>Fiscal Year</u>
	<u>2011</u>
General Fund	
Restricted:	
Stabilization by state statute	\$ 8,696,639
Sheriff's fund	264,217
Recreation districts	94,790
Health programs	931,719
Register of deeds	311,834
Beach nourishment	10,455,564
Total restricted	<u>20,754,763</u>
Assigned:	
Subsequent year's expenditures	908,485
Unassigned:	
	21,762,773
Total General Fund	<u><u>\$ 43,426,021</u></u>
 All Other Governmental Funds	
Restricted:	
Public safety	401,499
Rescue protection	1,150,690
Fire protection	1,734,943
School capital	2,735,522
Economic development	751,509
Total restricted	<u>6,774,163</u>
Committed:	
Economic development	721,756
School capital	432,914
Assigned:	
Subsequent year's expenditures	161,271
County capital	1,675,102
Unassigned:	
Special revenue funds	(680,935)
Capital projects funds	-
Total all other governmental funds	<u><u>\$ 9,084,271</u></u>

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

Carteret County, North Carolina

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

	2002	2003	2004	2005
Revenue				
Taxes:				
Property	\$ 34,552,936	\$ 34,856,263	\$ 36,273,316	\$ 37,171,758
Sales and other taxes	15,059,252	15,582,901	17,090,746	18,828,672
Total taxes	49,612,188	50,439,164	53,364,062	56,000,430
Permits and fees	1,602,838	2,111,540	2,618,847	3,093,945
Intergovernmental(1)	12,036,121	8,436,038	11,673,902	11,337,622
Sales and services	1,567,251	1,784,053	1,862,663	1,742,529
Interest	492,001	481,721	266,890	612,987
Miscellaneous	175,399	308,426	223,359	379,277
Total revenue	65,485,798	63,560,942	70,009,723	73,166,790
Expenditures				
General government	3,290,839	3,331,803	3,438,530	4,190,354
Public safety	9,500,776	10,528,723	11,294,641	12,472,725
Transportation(1)	437,185	452,826	579,790	493,593
Environmental protection	4,043,058	2,434,842	2,958,295	2,744,907
Economic development(1)	2,611,691	3,989,727	4,238,767	4,815,319
Human services	13,261,242	13,551,316	13,719,420	14,094,168
Culture and recreation	1,988,228	2,029,285	2,007,580	2,240,196
Education	19,570,613	17,738,085	17,976,423	18,699,023
Capital outlay	8,342,872	7,535,298	12,112,063	5,161,345
Debt service:				
Principal	3,511,418	8,558,910	4,706,571	4,316,572
Interest	2,588,362	3,020,159	2,659,162	2,352,193
Total expenditures	69,146,284	73,170,974	75,691,242	71,580,395
Excess of revenues over (under) expenditures	(3,660,486)	(9,610,032)	(5,681,519)	1,586,395
Other financing sources (uses):				
Transfers in	3,392,905	1,712,779	3,415,367	2,539,943
Transfers out	(3,392,905)	(1,760,779)	(3,485,367)	(2,610,564)
Proceeds from sale of fixed assets	-	-	-	-
Bond premium	-	-	-	-
Bonds issued	-	20,248,383	-	-
Refunding bonds issued	-	-	21,215,898	-
Payment to refunding escrow agent	-	-	(21,079,633)	-
Proceeds from installment note	3,000,000	-	-	-
Total other financing sources (uses)	3,000,000	20,200,383	66,265	(70,621)
Net change in fund balances	\$ (660,486)	\$ 10,590,351	\$ (5,615,254)	\$ 1,515,774
Debt service as a percentage of noncapital expenditures	10.03%	17.64%	11.59%	10.04%

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

	2006	2007	2008	2009	2010	2011
\$	38,995,144	\$ 42,487,337	\$ 48,720,636	\$ 49,678,930	\$ 50,200,352	\$ 50,519,817
	21,034,001	22,071,528	22,947,844	18,753,280	16,676,134	16,647,121
	60,029,145	64,558,865	71,668,480	68,432,210	66,876,486	67,166,938
	4,164,371	3,633,685	3,079,055	2,484,066	2,355,405	2,407,908
	10,666,809	11,567,346	12,039,656	14,544,225	12,341,283	13,642,310
	2,589,990	2,566,066	2,650,004	2,605,889	2,681,926	2,710,406
	1,302,510	3,196,255	3,310,752	1,593,849	790,705	401,788
	698,189	350,904	267,994	149,586	156,290	164,968
	79,451,014	85,873,121	93,015,941	89,809,825	85,202,095	86,494,318
	4,898,195	5,312,246	5,745,169	5,821,968	5,852,801	5,710,894
	13,422,324	13,947,141	16,132,558	16,424,222	16,291,686	18,135,931
	736,491	847,387	858,646	941,321	781,852	952,210
	3,404,122	2,891,843	2,900,884	3,070,121	3,104,110	3,189,081
	5,585,495	4,334,443	4,959,166	5,189,267	4,441,078	4,889,167
	14,659,109	15,696,967	16,391,072	15,774,335	14,618,041	15,221,814
	2,548,009	2,737,147	3,013,274	2,685,231	2,632,473	1,590,158
	18,870,730	20,196,594	21,556,439	22,851,145	21,888,541	28,623,466
	3,836,951	11,289,414	26,052,502	15,564,833	13,242,438	3,505,755
	4,175,000	4,785,000	5,922,857	13,243,078	6,217,427	6,465,073
	2,161,065	2,954,302	3,568,542	4,077,579	3,188,650	2,943,555
	74,297,491	84,992,484	107,101,109	105,643,100	92,259,097	91,227,104
	5,153,523	880,637	(14,085,168)	(15,833,275)	(7,057,002)	(4,732,786)
	4,477,917	6,502,225	9,407,194	4,652,822	4,567,901	4,773,110
	(4,688,857)	(6,791,225)	(9,408,499)	(4,910,822)	(4,772,901)	(5,078,110)
	-	-	-	-	80,750	5,653,860
	365,126	94,928	-	-	-	-
	22,000,000	20,300,000	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	3,810,221	11,138,924	-	-
	22,154,186	20,105,928	3,808,916	10,880,924	(124,250)	5,348,860
\$	27,307,709	\$ 20,986,565	\$ (10,276,252)	\$ (4,952,351)	\$ (7,181,252)	\$ 616,074
	8.99%	10.50%	11.71%	19.23%	11.77%	15.03%

Carteret County, North Carolina

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

Fiscal Year Ended June 30	Real Property				Total
	Residential Property	Commercial Property	Industrial Property	Present-use Value(1)	
2002 ⁽¹⁾	\$ 5,667,461,118	\$ 677,024,872	\$ 10,537,143	\$ 45,543,709	\$ 6,400,566,842
2003	5,778,763,348	702,452,708	11,382,044	45,411,773	6,538,009,873
2004 ⁽⁵⁾⁽⁶⁾	6,842,280,986	-	-	-	6,842,280,986
2005	6,295,378,065	669,099,255	12,308,209	41,848,004	7,018,633,533
2006	6,414,514,407	712,215,743	22,227,041	40,978,359	7,189,935,550
2007	5,993,578,505	1,675,786,250	246,148,708	42,108,553	7,957,622,016
2008 ⁽⁶⁾	15,997,721,971	1,432,073,317	37,881,139	72,565,474	17,540,241,901
2009	16,851,863,536	1,439,131,806	56,477,589	72,487,688	18,419,960,619
2010	16,549,686,285	1,512,887,462	38,970,411	61,707,853	18,163,252,011
2011	16,534,261,525	1,571,423,205	36,106,300	69,952,621	18,211,743,651

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.
- (5) Breakout of real property is unavailable
- (6) Revaluation Years

Schedule 5

	Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate(3)	Estimated Actual Taxable Value(4)
\$	687,404,277	\$ 97,192,027	\$ 7,185,163,146	0.42	\$ 7,185,163,146
	731,270,275	97,130,761	7,366,410,909	0.42	7,833,274,042
	711,166,262	99,064,090	7,652,511,338	0.42	8,277,459,533
	747,563,922	99,766,355	7,865,963,810	0.42	9,081,001,859
	915,126,779	84,739,347	8,189,801,676	0.42	10,528,090,598
	572,630,759	88,997,177	8,619,249,952	0.44	14,260,837,114
	953,369,547	126,877,222	18,620,488,670	0.23	18,923,260,843
	473,475,911	135,389,122	19,028,825,652	0.23	17,778,631,807
	847,540,430	143,635,821	19,154,428,262	0.23	16,731,393,087
	935,669,710	140,251,857	19,287,665,218	0.23	15,091,511,700

Carteret County, North Carolina

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

	2002	2003	2004	2005
Carteret County	0.4400	0.4200	0.4200	0.4200
Municipalities				
Atlantic Beach	0.2100	0.2300	0.2300	0.2300
Beaufort	0.3400	0.3600	0.3600	0.3800
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2300	0.2300	0.2300	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1750	0.1850	0.1750	0.1650
Indian Beach	0.1600	0.1600	0.1600	0.0900
Morehead City	0.3800	0.3800	0.3800	0.3800
Newport	0.4300	0.4300	0.4300	0.4300
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1600	0.1700	0.1800	0.1800
Fire Districts				
Atlantic	0.0400	0.0550	0.0650	0.0650
Atlantic Beach ¹	0.1000	-	-	-
Beaufort	0.0500	0.0600	0.0600	0.0600
Broad & Gales Creek	0.0350	0.0400	0.0400	0.0400
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0600	0.0600	0.0600	0.0600
Harlowe	0.0550	0.0550	0.0550	0.0550
Marshallberg	0.0600	0.0700	0.0700	0.0700
Mill Creek	0.0550	0.0550	0.0550	0.0550
Mitchell Village	0.0800	0.0800	0.0800	0.0800
Newport	0.0550	0.0700	0.0800	0.0800
North River	0.0700	0.0750	0.0750	0.0750
Otway	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0500	0.0500	0.0500	0.0500
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0700	0.0700
Stacy	0.0800	0.0800	0.0800	0.0800
Stella	0.0500	0.0500	0.0500	0.0500
Western Carteret	0.0700	0.0700	0.0700	0.0700
Wildwood	0.0500	0.0800	0.0750	0.0950

(Continued)

Schedule 6
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2006	2007	2008	2009	2010	2011
0.4200	0.4400	0.2300	0.2300	0.2300	0.2300
0.2300	0.2600	0.1500	0.1250	0.1250	0.1250
0.3800	0.3800	0.1900	0.2200	0.2200	0.2200
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.2300	0.2300	0.1550	0.1550	0.1400	0.1400
0.0500	0.0500	0.0500	0.0500	0.0550	0.0550
0.1550	0.1550	0.0670	0.0700	0.0700	0.0800
0.1000	0.1000	0.0600	0.1100	0.1400	0.1500
0.3800	0.3800	0.2200	0.2200	0.2200	0.2200
0.4300	0.4000	0.2700	0.2900	0.3100	0.3300
0.0500	0.0500	0.0500	0.0500	0.0500	0.0550
0.1800	0.1800	0.0800	0.1150	0.1150	0.1150
0.0650	0.0650	0.0700	0.0700	0.0700	0.0700
-	-	-	-	-	-
0.0700	0.0550	0.0300	0.0350	0.0350	0.0550
0.0400	0.0550	0.0450	0.0450	0.0450	0.0300
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.0850	0.0900	0.0900	0.0850
0.0600	0.0600	0.0400	0.0400	0.0650	0.0700
0.0550	0.0550	0.0450	0.0450	0.0550	0.0600
0.0700	0.0700	0.0850	0.0850	0.0800	0.0900
0.0550	0.0550	0.0450	0.0450	0.0450	0.0450
0.0800	0.0800	0.0900	0.0750	0.0750	0.0750
0.0800	0.0800	0.0400	0.0700	0.0700	0.0700
0.0750	0.0750	0.0450	0.0450	0.0900	0.0900
0.0400	0.0400	0.0250	0.0500	0.0500	0.0500
0.0600	0.0700	0.0300	0.0300	0.0300	0.0300
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0700	0.0700	0.0550	0.0350	0.0600	0.0600
0.0800	0.0800	0.0600	0.0700	0.0700	0.0850
0.0500	0.0500	0.0250	0.0200	0.0250	0.0400
0.0700	0.0700	0.0400	0.0400	0.0400	0.0400
0.0950	0.0950	0.0450	0.0600	0.0600	0.0650

Carteret County, North Carolina

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

	2002	2003	2004	2005
Rescue Districts				
Beaufort	0.0400	0.0550	0.0550	0.0550
Broad & Gales Creek	0.0200	0.0350	0.0450	0.0550
Mill Creek	0.0100	0.0200	0.0200	0.0200
Mitchell Village	0.0400	0.0400	0.0400	0.0400
Otway	0.0450	0.0550	0.0550	0.0550
Sea Level	0.1375	0.1675	0.1700	0.1675
Western Carteret	0.0500	0.0500	0.0500	0.0550
Beach Nourishment Districts				
Salter Path ²		0.4300	0.4300	0.4300
Indian Beach Non Ocean Front ²		0.0500	0.0500	0.0200
Indian Beach Ocean Front ²		0.4800	0.4800	0.2200
Emerald Isle Non Ocean Front ²		0.0300	0.0300	0.0300
Emerald Isle Ocean Front ²		0.4800	0.4800	0.4800
Pine Knoll Shores Ocean Front ³			0.4200	0.4200
Pine Knoll Shores Non Ocean Front ³			0.0600	0.0600

Source: Carteret County Tax Department

Notes:

¹Annexed by Town of Atlantic Beach 2002

²First Year Tax District 2003

³First Year Tax District 2004

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2006	2007	2008	2009	2010	2011
0.0550	0.0600	0.0250	0.0400	0.0450	0.0450
0.0750	0.0750	0.0350	0.0350	0.0300	0.0300
0.0200	0.0200	0.0450	0.0450	0.0450	0.0450
0.0400	0.0400	0.0250	0.0400	0.0400	0.0400
0.0550	0.0550	0.0300	0.0300	0.0300	0.0300
0.1675	0.1675	0.1200	0.1200	0.1200	0.1200
0.0500	0.0500	0.0300	0.0300	0.0300	0.0300
0.4300	0.4300	-	-	-	-
0.0200	0.0200	0.0200	0.0100	0.0100	0.0100
0.2200	0.3200	0.0100	0.0100	0.0100	0.0100
0.0300	0.1850	0.0110	0.0110	0.0110	0.0110
0.4800	0.6350	0.1620	0.1620	0.1620	0.1620
0.0600	0.6000	0.0264	0.0160	0.0160	0.0160
0.2000	0.2400	0.1727	0.1050	0.1050	0.1050

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

Name of Taxpayer	Type of Enterprise	Fiscal Year 2011			Fiscal Year 2002		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Bogue Watch LLC	Real Estate	\$ 88,149,222	1	0.457%	\$ -	-	-
Carteret Craven Electric	Utility	53,281,091	2	0.276%	31,699,787	1	0.45%
Open Grounds Farm, Inc.	Farm	51,787,583	3	0.269%	28,304,280	3	0.40%
Indian Beach Acquisition LLC	Real Estate	45,240,000	4	0.235%	-	-	-
Progress Energy	Utility	43,782,561	5	0.227%	-	-	-
Goose Creek Landing HOA	Real Estate	33,632,383	6	0.174%	-	-	-
Carolina Telephone	Utility	29,731,196	7	0.154%	31,404,459	2	0.43%
Shearin Family Investment LLC	Real Estate	29,661,713	8	0.154%	-	-	-
Atlantic Veneer Corp	Manufacturing	29,474,974	9	0.153%	10,519,961	8	0.15%
ITAC 192 LLC	Real Estate	24,209,326	10	0.126%	-	-	-
Carolina Power & Light Co.	Utility	-	-	-	26,141,412	4	0.36%
Atlantic Beach Hotel Limited	Hotel	-	-	-	15,371,262	5	0.21%
RPM Partners, Paxon Holz	Real Estate	-	-	-	13,198,845	6	0.18%
Glimcher Properties LTD	Real Estate	-	-	-	11,955,932	7	0.17%
The Windsteamer Co.	Hotel	-	-	-	9,839,797	9	0.14%
Southstar Holdings MHC LLC	Retail	-	-	-	8,386,649	10	0.12%
		\$ 428,950,049		1.492%	\$ 186,822,384		2.610%

Source: Carteret County Tax Department

Carteret County, North Carolina

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Collected Within the Fiscal Year of the Levy		
			Total Tax Levy (1)(2)	Amount	Percentage of Levy
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)	33,037,048	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%
2009	43,880,900	(114,601)	43,766,299	42,486,645	97.08%
2010	44,158,178	(102,993)	44,055,185	42,758,524	97.06%
2011	44,397,414	(35,784)	44,361,630	43,043,486	97.03%

Notes:

(1) Includes General Fund

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

Schedule 8

Total Collections to Date			
Collections of			Percentage
Subsequent Years	Amount		of Levy
\$ 1,249,024	\$ 31,692,682		99.92%
1,040,339	30,939,053		99.90%
894,720	32,112,541		99.91%
956,435	33,012,310		99.93%
798,136	34,315,834		99.76%
861,178	37,770,635		99.70%
771,696	43,012,426		99.44%
851,975	43,338,620		99.02%
658,458	43,416,982		98.55%
-	43,043,486		97.03%

Carteret County, North Carolina

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

Fiscal Year	Governmental Activities			Business Activity
	General Obligation Bonds	Certificates of Participation	Installment Loans	Installment Loans
2002	\$ 25,150,000	\$ 16,625,000	\$ 4,962,053	\$ -
2003	31,050,000	24,285,000	3,073,143	467,612
2004	29,695,000	22,240,000	2,516,572	589,608
2005	27,650,000	20,545,000	2,100,000	2,980,303
2006	47,605,000	18,715,000	1,800,000	3,328,720
2007	63,220,000	16,915,000	3,500,000	3,156,512
2008	59,550,000	15,605,000	6,367,364	2,985,480
2009	55,920,000	7,045,000	16,453,210	2,814,448
2010	52,330,000	5,735,000	15,135,783	2,643,416
2011	48,745,000	5,155,000	18,489,570	2,472,384

* Information not yet available

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

- (1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
Personal income not available to calculate fiscal years 2010 and 2011.

Schedule 9

Bond Anticipation Notes	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
\$ -	\$ 46,737,053	\$ 750	2.89%
-	58,875,755	970	3.49%
-	55,041,180	909	3.05%
-	53,275,303	872	2.74%
-	71,448,720	1,138	3.52%
-	86,791,512	1,367	4.01%
-	84,507,844	1,335	3.52%
-	82,232,658	1,294	3.32%
-	75,844,199	1,183	*
1,046,000	75,907,954	1,184	*

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**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
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%	2.92%	63,511	995.42
2008	59,550,000	18,620,488,670	0.32%	2.48%	63,294	940.85
2009	55,920,000	19,028,825,652	0.29%	2.26%	63,535	880.14
2010	52,330,000	19,154,428,262	0.27%	*	64,107	816.29
2011	48,745,000	19,287,665,218	0.25%	*	65,050	749.35

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

(1) NC Office of State Planning

*Personal income not available to calculate fiscal years 2010 and 2011

Carteret County, North Carolina

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

	2002	2003	2004	2005
Assessed values of property	\$ 7,185,163,146	\$ 7,366,410,909	\$ 7,652,511,388	\$ 7,865,963,810
Debt limit 8% of assessed value	574,813,052	589,312,873	612,200,911	629,277,105
Gross debt:				
Total bonded debt	41,775,000	55,335,000	52,095,000	48,195,000
Installment debt	4,962,053	3,073,143	2,516,572	2,100,000
Authorized unissued bonded debt	7,600,000	-	-	-
Total amount of debt applicable to debt limit	54,337,053	58,408,143	54,611,572	50,295,000
Legal debt margin	\$ 520,475,999	\$ 530,904,730	\$ 557,589,339	\$ 578,982,105
Total net debt applicable to the limit as a percentage of debt limit	9.45%	9.91%	8.92%	7.99%

Schedule 11

2006	2007	2008	2009	2010	2011
\$ 8,189,801,676	\$ 8,619,249,952	\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262	\$ 19,287,665,218
655,184,134	689,539,996	1,489,639,094	1,522,306,052	1,532,354,261	1,543,013,217
66,320,000	80,135,000	75,155,000	62,965,000	58,065,000	53,900,000
1,800,000	3,500,000	6,367,364	16,453,210	15,135,783	18,489,570
28,010,000	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000
96,130,000	93,345,000	91,232,364	89,128,210	82,910,783	82,099,570
\$ 559,054,134	\$ 596,194,996	\$ 1,398,406,730	\$ 1,433,177,842	\$ 1,449,443,478	\$ 1,460,913,647
14.67%	13.54%	6.12%	5.85%	5.41%	5.32%

**Computation of Direct and Overlapping Debt
General Obligation Bonds
June 30, 2011**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County (1)	\$ 48,745,000	100.00%	\$ 48,745,000
Overlapping			
Town of Emerald Isle (2)	1,900,000	100.00%	1,900,000
Town of Newport (2)	2,553,500	100.00%	2,553,500
Town of Pine Knoll Shores (2)	3,804,000	100.00%	3,804,000
Subtotal overlapping debt	<u>8,257,500</u>		<u>8,257,500</u>
Total direct and overlapping debt	<u>\$ 57,002,500</u>		<u>\$ 57,002,500</u>

Data Sources:

- (1) County's debt records
- (2) Municipal finance departments

**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)
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	2,162,444	34,241	4.02%	8,297
2008	63,294	2,401,852	37,796	4.74%	8,297
2009	63,535	2,477,362	38,455	7.42%	8,294
2010	64,107	*	*	8.39%	8,273
2011	65,050	*	*	8.35%	8,491

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

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,140	1	3.29%	1,234	1	3.84%
Carteret General Hospital	1,030	2	2.98%	795	2	2.48%
Carteret County	571	3		359	6	1.12%
NC Department of Transportation	550	4	1.59%	-	-	-
Wal-Mart	425	5	1.23%	570	3	1.78%
Carteret Community College	365	6		250	9	0.78%
NC Natural Resources & Community Development	278	7	0.80%	-	-	-
US Coast Guard	273	8	0.79%	322	7	1.00%
Lowes Home Improvements	250	9	0.72%	-	-	-
Lowes Foods	190	10	0.55%	-	-	-
Food Lion	-	-	-	405	4	1.26%
Atlantic Veneer	-	-	-	365	5	1.14%
Henry's Tackle & Sporting Goods	-	-	-	320	8	1.00%
Sheraton Resort at Atlantic Beach	-	-	-	225	10	0.70%

Source: Carteret County Economic Development Council

Carteret County, North Carolina

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

Function/Program	Full-Time Equivalent			
	2002	2003	2004	2005
General government	51.00	48.00	49.00	47.00
Public safety	98.00	98.75	98.75	100.75
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	24.00	21.00	14.00	15.00
Environmental protection	9.00	8.00	8.80	9.80
Human Services	153.95	153.60	153.25	156.25
Cultural and recreation	20.40	19.40	20.00	20.00
Water/Sewer (Business activity)	-	2.20	2.20	2.20
Total	358.35	352.95	348.00	353.00

Source: County Finance Department

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

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

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

Schedule 15

Employees

2006	2007	2008	2009	2010	2011
61.30	63.60	66.10	66.10	66.40	66.60
102.75	106.00	114.00	119.00	114.30	141.00
2.00	2.00	2.00	2.00	2.00	2.00
17.00	17.00	19.50	18.50	17.00	17.00
9.80	8.00	6.00	6.00	7.00	7.00
154.15	162.60	167.80	171.80	169.58	169.91
21.00	21.00	22.00	22.00	20.92	21.49
3.70	4.40	4.40	4.40	4.40	4.40
371.70	384.60	401.80	409.80	401.60	429.40

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

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

Sources: Various government departments.

Notes: No indicators are available for the general services functions.

Data prior to fiscal year ending 2009 is not available

Carteret County, North Carolina

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

	2002	2003	2004	2005
Function				
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	20	20	20	20
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	148	148	148	148
Parks	7	7	7	7
Tennis courts	5	5	5	5
Community centers	2	2	2	2
Public libraries	4	4	4	4
Water:				
Water mains (miles)	-	-	26	26
Maximum daily capacity	-	-	600,000	600,000

Sources: Various county departments.

Note: No capital asset indicators are available for the general government, economic development, and human services functions. The County's water system was not complete and operational until fiscal year 2004.

Schedule 17

Fiscal Year						
2006	2007	2008	2009	2010	2011	
1	1	1	1	1	1	
20	24	24	24	24	24	
12	12	12	12	12	12	
148	148	159	159	519	519	
7	7	7	7	7	7	
5	5	5	5	5	5	
2	2	2	2	2	2	
4	4	4	4	4	4	
48	48	48	48	48	51	
600,000	600,000	600,000	600,000	600,000	600,000	

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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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**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, 2011, which collectively comprises Carteret County's basic financial statements, and have issued our report thereon dated November 22, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Carteret County General Hospital Corporation, Carteret County Alcoholic Beverage Control ("ABC") Board, Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority, as described in our report on Carteret County's financial statements. The financial statements of Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control Board were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Carteret County, in a separate letter dated November 22, 2011.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 22, 2011



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

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

Compliance

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Carteret County's major federal programs for the year ended June 30, 2011. 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; and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133, and the *State Single Audit Implementation Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carteret County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carteret County's compliance with those requirements.

In our opinion, Carteret County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 22, 2011



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

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

Compliance

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Carteret County's major State programs for the year ended June 30, 2011. Carteret County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

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

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

In our opinion, Carteret County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Carteret County's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 22, 2011

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

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?	<u> </u> Yes	<u> X</u>	No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u>	None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X</u>	No

Federal Awards

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Temporay Assistance for Needy Families	93.558

Dollar threshold used to distinguish between type A and type B programs:	<u>\$1,595,637</u>	
Auditee qualified as low-risk auditee?	<u> X</u> Yes	<u> </u> No

(Continued)

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011**

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, 2011**

No corrective action plan is required for the current year.

Carteret County, North Carolina

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

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, 2011**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Federal Assistance					
US Department of Agriculture:					
Food and Nutrition Service					
Passed through NC Department of Agriculture:					
Administered by County Finance Department					
	10.550		\$ 22,489	\$ -	\$ 23,685
Administered by County Engineering Department					
	10.781		682,245	-	-
			<u>704,734</u>	<u>-</u>	<u>23,685</u>
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women,					
	10.557		254,440	-	14,295
	10.557		921,626	-	-
	10.559		87	-	-
			<u>1,176,153</u>	<u>-</u>	<u>14,295</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp					
Supplemental Nutrition Assistance Program Cluster:					
	10.561		381,665	-	316,839
	10.561		28,485	-	28,485
			<u>410,150</u>	<u>-</u>	<u>345,324</u>
Total Supplemental Nutrition Assist. Program Cluster:					
Emergency Food Assistance Program (TEFAP) Cluster:					
	10.568		3,580	-	-
	10.569		69,753	-	-
			<u>73,333</u>	<u>-</u>	<u>-</u>
			<u>2,364,370</u>	<u>-</u>	<u>383,304</u>
Total US Department of Agriculture					
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
	11.419		4,335	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
	15.225		59,183	-	-
US Department of Transportation:					
Passed through NC Department of Transportation:					
Administered by County CCA TS Department:					
Rural Operating Assistance Including Elderly and Disabled:					
	20.509		169,906	10,619	31,858
	20.509		157,473	-	-
	20.509		83,986	10,498	10,498
			<u>411,365</u>	<u>21,117</u>	<u>42,356</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2011

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Crime Control and Public Safety:					
Division of Emergency Management					
Administered by Carteret County Emergency Management Department:					
Hazardous Material Transportation	20.073		\$ 8,500	\$ -	\$ -
Total US Department of Transportation			419,865	21,117	42,356
US Department of Justice					
Bureau of Justice Assistance					
Direct Program:					
Administered by Carteret County Sheriff's Department					
ARRA Sheriff's Office Enhancement Project	16.804		34,498	-	-
Passed through NC Department of Crime Control and Public Safety					
Administered by Carteret County Boys and Girls Club					
ARRA Gang Prevention Grant	16.803		6,461	-	-
			40,959	-	-
Administered by County Rape Crisis					
Sexual Assault Program	16.588		28,641	-	7,160
Total US Department of Justice			69,600	-	7,160
US Department of Health and Human Services:					
Administration on Aging					
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina					
Council - Aging Cluster:					
Title III D	93.043		7,075	416	832
HCCBG In-Home Support Services	93.044		177,749	4,386	8,772
HCCBG - Access	93.044		35,063	2,063	4,125
HCCBG Congregate Meals	93.045		81,052	4,768	9,536
HCCBG Home Delivered Meals	93.045		14,908	877	1,754
HCCBG In-Home Support Services	93.667		22,228	635	2,540
Total Aging Cluster			338,075	13,145	27,559
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		11,103	-	-
Administration for Children and Families					
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Carteret County Department of Social Services:					
Temporary Assistance for Needy Families (TANF) Cluster:					
TANF Benefit Payments	93.558		293,557	-	1,904
Work First Administration	93.558		164,969	-	114,374
TANF Domestic Violence	93.558		12,954	-	1,457
Work First Service	93.558		703,809	-	447,962
Total TANF Cluster			1,175,289	-	565,697
Family Preservation	93.556		4,977	-	-
AFDC Payments	93.560		(465)	(127)	(127)

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2011**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
CSE Incentive Recovery	93.563		\$ 10,772	\$ -	\$ 5,549
IV-D Administration	93.563		504,336	-	259,809
IV-D Offset Fees ESC	93.563		152	-	78
IV-D Offset Fees Federal	93.563		1,547	-	797
			516,807	-	266,233
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		385,705	-	-
Administration	93.568		35,103	-	-
Crisis Intervention payments	93.568		240,637	-	-
			661,445	-	-
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care Cluster					
Child Care & Development Fund-Discretionary	93.575		774,238	-	-
Child Care Development Fund-Administration	93.596		100,236	-	-
Child Care & Development Fund-Mandatory	93.596		344,856	-	-
Child Care & Development Fund-Match	93.596		78,958	42,583	-
Social Services Block Grant	93.667		8,650	-	-
Temporary Assistance for Needy Families	93.558		252,864	-	-
ARRA- Emergency Contingency Fund for TANF	93.714		137,096	-	-
State Appropriations			-	243,318	-
TANF- MOE			-	92,966	-
Total Subsidized Child Care Cluster			1,696,898	378,867	-
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Child Welfare Services:					
Permanency Planning:					
Special	93.645		17,134	-	6,663
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		76,943	28,197	48,746
IV-E Optional Adopt TRN 50%	93.659		20,862	-	20,862
IV-E Family Foster Care MAX	93.658		2,224	-	1,022
Foster Care payments	93.658		98,989	22,086	22,084
IV-E Foster Care/OFF TRN	93.658		135,734	-	135,734
IV-E Foster Care TRN	93.658		4,127	-	1,376
IV-E Admin County Paid to CCI	93.658		1,693	847	847
IV-E Adoption Training	93.659		3,069	-	1,023
IV-E adoption subsidy and vendor	93.659		369,873	81,847	81,847
Adoption/ Foster Care	N/A		33,796	-	21,580
Total Foster Care and Adoption Cluster			747,310	132,977	335,121

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2011**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
In-home services	93.667		\$ 6,690	\$ -	\$ 956
In-home Services over 60	93.667		3,104	-	443
In-home Services - SSBG other services	93.667		156,830	16,318	57,716
			<u>166,624</u>	<u>16,318</u>	<u>59,115</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Family Violence Prevention	93.671		20,013	-	-
Independent Living Links	93.674		15,103	-	-
Links	93.674		8,698	2,174	-
			<u>43,814</u>	<u>2,174</u>	<u>-</u>
Health Care Financing Administration					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administered by Carteret County DSS:					
Medical Assistance Program					
Expansion	93.778		9,224	9,224	-
ADT CR HM CS Mgt/Spec	93.778		23,527	7,907	15,620
Benefit payments	93.778		42,930,555	17,132,199	6,127
Transportation Service	93.778		11,675	3,825	-
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		828,645	-	828,645
Transportation Administration	93.778		66,901	-	66,901
Division of Public Health:					
Administered by Carteret County Health Department					
CCNC and Pregnancy Prevention	93.778		42,661	16,459	-
			<u>43,913,188</u>	<u>17,169,614</u>	<u>917,293</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		53,636	2,333	15,198
Centers for Disease Control					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Statewide Health Promotion Program	93.991		22,898	-	48,130
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Family Planning Service	93.217		121,949	-	-
Prevention Investigations and Technical Assistance	93.283		131,882	-	-
Social Services Block Grant	93.667		9,916	-	-
Maternal & Child Health Services Block Grant	93.994		54,756	41,071	92,717
			<u>318,503</u>	<u>41,071</u>	<u>92,717</u>
Immunization Cluster					
Immunization Program/Aid to County Funding	93.268		8,647	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2011

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Insurance					
Administered by Carteret County Cooperative Extension					
Seniors' Health Insurance Information Program	93.779		\$ 3,290	\$ -	\$ -
Total US Department of Health and Human Services			49,699,173	17,756,372	2,333,599
US Department of Housing & Urban Development					
Passed through NC Department of Commerce					
Division of Community Assistance					
Administered by Carteret County Planning Department					
2006 CDBG Scattered Site	14.228		92,579	-	-
2009 CDBG CR	14.228		10,924	-	-
Total US Department of Housing & Urban Development			103,503	-	-
US Department of Homeland Security					
Passed through NC Department of Crime Control and Public Safety					
Division of Emergency Management					
Administered by Carteret County Emergency Management Department					
2008 Port Security Grant	97.056		199,208	-	-
2010 Port Security Grant	97.056		209,999	-	-
Administered by Carteret County Sheriff's Department					
2008 Port Security Grant	97.056		25,000	-	-
2008 PSGP Morehead City Project	97.056		23,393	-	-
Administered by Carteret County Health Department					
2008 Port Security Grant	97.056		2,340	-	-
Total US Department of Homeland Security			459,940	-	-
Division of Emergency Management					
Administered by Carteret County Emergency Management Department					
Homeland Security Grant	97.067		7,936	-	-
Total US Department of Homeland Security			467,876	-	-
State Assistance					
NC Department of Health and Human Services:					
Administered by County Finance Department:					
Services for Court Referrals					
46775			-	46,775	-
Juvenile Restitution Fund			-	45,257	-
Juvenile Crime Prevention			-	1,505	-
Teen Court			-	47,362	-
Total US Department of Health and Human Services			-	140,899	-
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			-	-	36,978
Energy Assistance, Private Grants			-	20,938	-
CPS Expansion State			-	44,352	-
County Funded Programs			-	-	933,107
Non-Allocating County Cost			-	-	393,034
Work First Non Reimbursable			-	-	83,481
AFDC Incent / Prog Integrity			-	243	-
TANF / AFDC Program Integrity			-	576	-
CWS Adopt Subsidy & Vendor			-	140,193	42,030
Foster Care Special Provision			-	1,854	-
SC/SA Domiciliary Care payment			-	408,912	409,002
SFHF Maximization			-	8,266	8,266
State Foster Home			-	71,488	71,488
Total US Department of Health and Human Services			-	696,822	1,977,386

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2011**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
			\$ -	\$ 53,900	\$ 5,989
			-	13,512	14,612
			-	15,178	1,686
			-	7,854	873
			-	208,444	23,160
Division of Public Health					
Administered by the County Health Department					
			-	500	-
			-	1,756	119,833
			-	80,139	1,101,753
			-	8,393	-
			-	12,493	-
			-	2,091	-
			-	105,372	1,221,586
			-	1,151,537	3,222,132
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
			-	19,225	-
			-	76,570	-
			-	95,795	-
Division of Environmental Health					
Administered by the Environmental Health Department					
			-	15,089	1,097,223
Division of Parks and Recreation					
Administered by the County Parks and Recreation Department					
		2008-550	-	194,693	765,716
			-	305,577	1,862,939

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2011**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Crime Control and Public Safety:					
Division of Emergency Management					
Administered by the County Emergency Services Department					
Emergency Management Performance Grant					
			\$ -	\$ 31,211	\$ 31,211
NC Department of Corrections:					
Administered by the County Finance Office:					
Criminal Justice Partnership Program					
		16-0710-I-A	-	81,043	65
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services					
			-	2,000	326,020
Other:					
Sexual Assault Grant Rape Crisis					
			-	54,329	13,582
Total NC Department of Administration			-	56,329	339,602
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation					
			-	800,000	-
NC Department of Transportation					
Administered by the Carteret County Transportation Department					
DOT ROAP RGP Grant					
		DOT-16CL	-	97,484	10,832
DOT ROAP Employment Grant					
		DOT-16CL	-	29,992	3,332
DOT Elderly and Disabled					
		DOT-16CL	-	90,751	10,083
Total NC Department of Transportation			-	218,227	24,247
NC Rural Economic Development Center					
Administered by the Carteret County Manager's Office					
Building Reuse and Restoration Program					
		31-60701-107	-	30,230	-
Administered by the Carteret County Engineering Department					
Water System Improvements					
		160-40101-112	-	384,395	-
Total NC Rural Economic Development Center			-	414,625	-
Total Federal Expenditures			<u>\$ 53,187,905</u>		
Total State Expenditures				<u>\$ 20,836,038</u>	
Total Local Expenditures					<u>\$ 8,246,615</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, 2011

Note 1. General

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

Note 2. Basis of Accounting

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

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

Note 3. Relationship to Fund Financial Statements

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

Note 4. Loans Outstanding

The County has outstanding loan balances from federal and State funding sources that are not required to be presented within the schedule of expenditures of federal and State awards because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds are presented in the schedule in the year of their expenditure. The outstanding balance of the Drinking Water State Revolving Fund at June 30, 2011 was \$20,961,954.