

Carteret County, North Carolina

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

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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October 29, 2010

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, 2010.

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, 2010 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, 2010, 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 64,100 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 8.39% for the County compared to 7.42% in the prior year, and those rates are lower than the state’s unemployment rate. Even in the recession, the tourism industry continues to perform well with an average annual economic impact of \$257.56 million, 3.7% decrease from the previous year. 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 open ocean. Commodities such as rubber, lumber, steel, and wood pulp go through the port. The State completed its 177,000 square foot new terminal warehouse complex. This was an \$85 million investment.

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 Buffalo Wild Wings and Olive Garden.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2010:

Employer	Service	Approximate Number of Employees
Carteret County Public Schools	Education	1,115
Carteret General Hospital	Medical	1,060
NC Department of Transportation	Transportation	494
Carteret County	Government Service	478
Wal Mart	Retail	420
NC Natural Resources & Community Development	Government	346
U.S. Coast Guard	Military	273
Lowe's Home Improvements	Retail	268
Lowe's Foods	Retail	205
Food Lion	Retail	195

Source: Carteret County Economic Development Council, first quarter 2009

Long-Term Financial Planning

The County's operating budget for the fiscal year ending June 30, 2011 totals \$90,820,309 with a tax rate of \$.23 per \$100 of assessed value, based on a total valuation of \$19.38 billion. The County's assessed value represents approximately a 1.5% increase from the value used in the June 30, 2010 budget. The County anticipates slight growth in its tax base for fiscal year ending June 30, 2012. For the County's operating budget for the fiscal year June 30, 2012, it is anticipated that the tax rate would need to be between \$.23 and \$.25 per \$100 of the current assessed value to maintain the current level of service. Currently, the County's Tax Department is conducting property revaluation; these adjusted property valuations will be effective for the 2012 fiscal year budget. Currently, staff does not have an estimate of the new property valuation for fiscal year 2012.

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

Major Initiatives

The County continues to fund construction and building improvements to our county schools. The County anticipates issuing approximately \$5.65 million of combined Quality Academy Zone Bonds ("QZAB") and Quality School Construction Bonds (QSCB) in September 2010. In addition, 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 2011.

One of the major initiatives in the fiscal year 2011 budget is improving emergency communications. The budget funds seven months of operating expenses for the county wide consolidated 911 communications service. The building construction completion is projected to be the fall of 2010, and the County anticipates the expanded emergency communication service to begin in December 2010. The budget adds 18 staff positions to provide this enhanced service.

Another budget initiative is to fund unfunded State mandates. Beginning July 1, 2010, the County must provide child support enforcement services. The County will contract this service with an outside firm. In addition to human service initiatives, the County continues to improve its parks, and the FY 11 budget funds operation and maintenance of the new Fort Benjamin Park in Newport, NC.

The County continues major improvements to the County's water system over the next two fiscal years. Engineering services have been engaged for the project's design, and construction began the end of fiscal year 2010. The estimated construction cost is \$3.47 million and will be funded by grants and installment loans.

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, 2009. This was the tenth consecutive year that Carteret County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2010. 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, 2010

BOARD OF COMMISSIONERS

DOUGLAS HARRIS
Chairman

Atlantic Beach, North Carolina

HOLT FAIRCLOTH
Vice Chairman
Morehead City, North Carolina

RICHARD HUNT
Cape Carteret, North Carolina

PAT JOYCE
Beaufort, North Carolina

GREGORY LEWIS
Morehead City, North Carolina

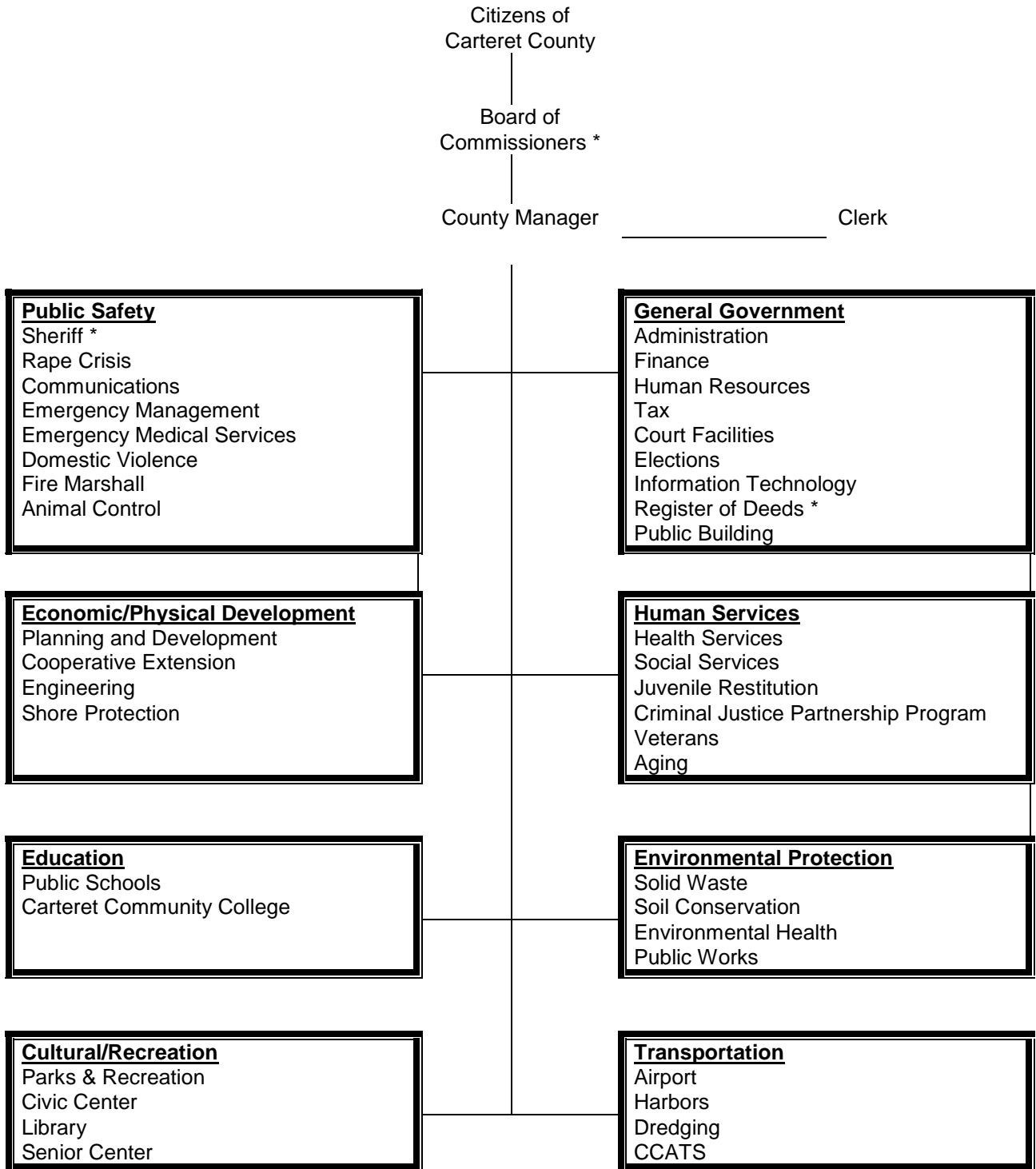
WADE NELMS
Newport, North Carolina

JONATHAN ROBINSON
Atlantic, North Carolina

COUNTY OFFICIALS

Wayne Deal	Interim 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
Gavin Hutchins	Information Technology Director

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

**MAP OF
CARTERET COUNTY, NORTH CAROLINA**

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Carteret County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



President

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 fiscal year ended June 30, 2010, 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, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, October 29, 2010 on our consideration of Carteret County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 15 through 25 and 85 through 88, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carteret County, North Carolina's basic financial statements. The introductory section, combining and individual fund financial statements and schedules 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 OMB 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 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
October 29, 2010

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2010

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, 2010. 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 \$11,076,939 (*net assets*).
- The government's total net assets decreased by \$166,769, primarily due to spending accumulated balances in the County's capital project funds.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$51,894,218, after a net decrease in fund balance of \$7,181,252. As stated above, this decrease is due to spending fund balances in the County's capital project funds. Approximately 59.11 percent of this total amount, or \$30,674,668, is available for spending at the government's discretion (*unreserved and undesignated fund balance*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$25,445,763 or 36.76 percent of total General Fund expenditures, excluding other financing uses, for the fiscal year.
- The County's total long-term debt (Figure 5) decreased by \$6,388,459 due primarily to retiring debt principal.
- The County maintained its AA (Standard & Poor's and Fitch Ratings) for the fourth year and Aa2 (Moody's Investor Services) for one year.

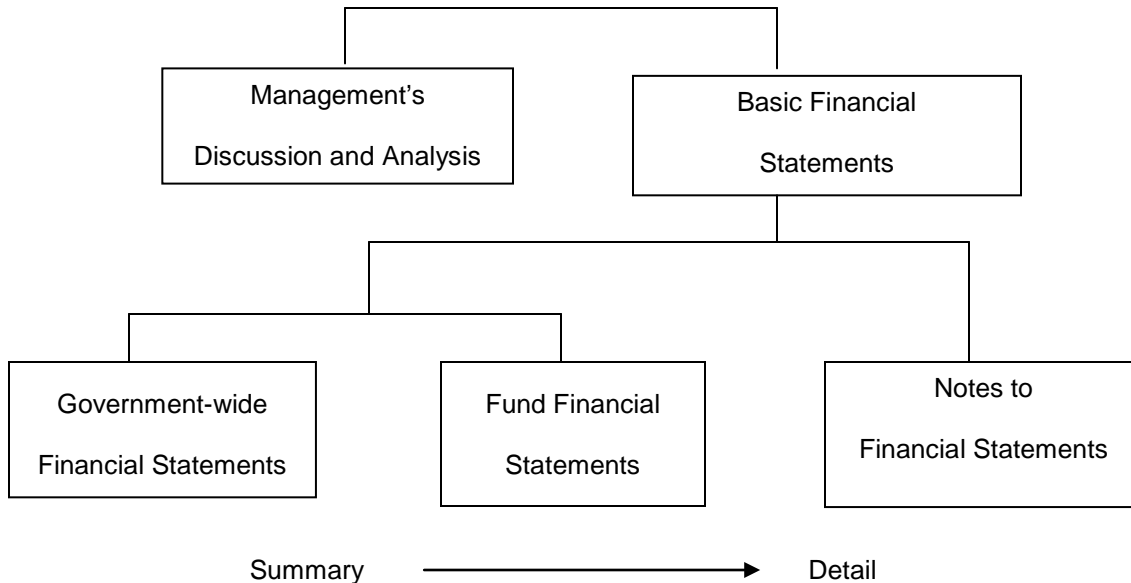
Overview of the Financial Statements

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.

Management's Discussion and Analysis (Unaudited)
June 30, 2010

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.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2010

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, 2010

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 43 – 81 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 85 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$11,076,939 as of June 30, 2010. The County's net assets decreased by \$166,769 for the fiscal year ended June 30, 2010. Net assets are reported in three categories: invested in capital assets, net of related debt of \$28,149,441, restricted net assets of \$15,431,921, and unrestricted net assets (deficit) of (\$32,504,423).

Carteret County, North Carolina

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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, 2010, the total unrestricted net assets reported a deficit of \$32,504,423. Of the County's net assets, \$15,431,921 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 \$70.18 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$60,117,330	\$67,275,555	\$ 887,652	\$ 702,189	\$61,004,982	\$ 67,977,744
Capital assets	27,068,669	26,166,952	6,742,188	6,448,608	33,810,857	32,615,560
Total assets	87,185,999	93,442,507	7,629,840	7,150,797	94,815,839	100,593,304
Long-term liabilities						
outstanding	75,357,792	81,040,957	2,659,571	2,831,952	78,017,363	83,872,909
Other liabilities	5,041,013	5,345,520	680,524	131,167	5,721,537	5,476,687
Total liabilities	80,398,805	86,386,477	3,340,095	2,963,119	83,738,900	89,349,596
Net assets:						
Invested in capital assets, net of related debt	24,050,669	22,484,382	4,098,772	3,634,160	28,149,441	26,118,542
Restricted	15,431,921	13,043,008	-	-	15,431,921	13,043,008
Unrestricted	(32,695,396)	(28,471,360)	190,973	553,518	(32,504,423)	(27,917,842)
Total net assets	\$ 6,787,194	\$ 7,056,030	\$ 4,289,745	\$ 4,187,678	\$11,076,939	\$ 11,243,708

Carteret County, North Carolina

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Governmental activities: Governmental activities decreased the County's net assets by \$268,836 from fiscal year 2009. Key elements of this decrease are as follows:

- Governmental activities property taxes increased approximately \$.35 million from fiscal year 2009. The County maintained the same General Fund ad valorem property tax rate of twenty-three cents per \$100 assessed value from fiscal year 2009 to fiscal year 2010.
- Decreases in other taxes were approximately \$2.08 million. The sales tax decreases were approximately \$1.93 million due to the economy and ¼ percent levy loss of Article 44 as a result of the State taking over a portion of the County's Medicaid burden. Fiscal year 2010 was the final year of the Medicaid swap implementation by the state. Occupancy taxes decreased approximately \$.15 million.
- Governmental activities charges for services decreased approximately \$.07 million from the previous fiscal year. This is primarily due to decreases in Register of Deeds fees, public safety charges, solid waste charges, and health center charges in human services.
- Operating grants and contributions decreased approximately \$.86 million. This is primarily due to decreased funding economic development as a result of CDBG grants completion, and the State withheld ADM funds for education.
- Capital grants and contributions decreased approximately \$1.44 million from the prior fiscal year. This is due to grant funding, \$1.13 million for water access land purchases and improvements, and county park improvements performed in fiscal year 2009. In addition, transportation vehicles were not received by the end of fiscal year 2010, and thus the capital grant funds were not received.
- Education expenses decreased approximately \$3.48 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 approximately \$.96 million and payments for renovation and construction expenditures decreased approximately \$2.52 million.
- Due to the State assuming the final phase in portion of the County's burden for Medicaid expenses, Medicaid decreased \$1.24 million from the previous year. Human services operating expenses increased \$.01 million, and as a result, human services had a net decrease of \$1.23 million from the previous year.
- Cultural and recreational expenses increased approximately \$1.02 million from the previous year, and that is primarily due to a partnership with the Town of Emerald Isle for water access. The County contributed \$500,000 to the Town to increase water access.

Business-type activities: Business-type activities increased the County's net assets by \$102,067. 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. In addition, a capital project was not completed.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2010

The County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 5,040,740	\$ 5,112,273	\$ 564,172	\$ 573,359	\$ 5,604,912	\$ 5,685,632
Operating grants and contributions	11,743,795	12,647,140	-	-	11,743,795	12,647,140
Capital grants and contributions	236,993	1,680,223	115,605	167,757	352,598	1,847,980
General revenues:						
Property taxes	50,528,632	50,175,809	-	-	50,528,632	50,175,809
Other taxes	16,676,134	18,753,280	-	-	16,676,134	18,753,280
Other	1,957,228	1,917,892	15,722	16,840	1,972,950	1,934,732
Total revenues	86,183,522	90,286,617	695,499	757,956	86,879,021	91,044,573
Expenses:						
General government	6,369,989	6,558,268	-	-	6,369,989	6,558,268
Public safety	16,919,404	16,599,129	-	-	16,919,404	16,599,129
Transportation	907,113	858,784	-	-	907,113	858,784
Economic and physical development	4,469,445	5,207,919	-	-	4,469,445	5,207,919
Environmental protection	3,130,735	3,105,363	-	-	3,130,735	3,105,363
Human services	15,071,578	16,302,247	-	-	15,071,578	16,302,247
Cultural and recreation	4,198,808	3,182,526	-	-	4,198,808	3,182,526
Education	31,982,375	35,465,104	-	-	31,982,375	35,465,104
Interest on long-term debt	3,197,911	3,493,485	-	-	3,197,911	3,493,485
Water	-	-	798,432	934,919	798,432	934,919
Total expenses	86,247,358	90,772,825	798,432	934,919	87,045,790	91,707,744
Decrease in net assets before transfers	(63,836)	(486,208)	(102,933)	(176,963)	(166,769)	(663,171)
Transfers	(205,000)	(258,000)	205,000	258,000	-	-
Increase (decrease) in net assets	(268,836)	(744,208)	102,067	81,037	(166,769)	(663,171)
Net assets, July 1,	7,056,030	7,800,238	4,187,678	4,106,641	11,243,708	11,906,879
Net assets, June 30	\$ 6,787,194	\$ 7,056,030	\$ 4,289,745	\$ 4,187,678	\$ 11,076,939	\$ 11,243,708

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, 2010

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$25,445,763, while total fund balance reached \$42,327,560. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 36.76 percent of total General Fund expenditures, excluding other financing uses, while total fund balance represents 61.16 percent of that same amount.

At June 30, 2010, the governmental funds of the County reported a combined fund balance of \$51,894,218, a 12.2 percent decrease from last year. The primary reason for this decrease is due to spending fund balance in the County's capital project funds.

General Fund Budgetary Highlights

During fiscal year 2010, the County's financial picture was fair. Due to the current economic downturn, revenues were less than budgeted by \$1.05 million. The \$1.05 million is a combination of lower than budgeted investment earnings by approximately \$144,000, sales and services slightly under performed by approximately \$77,000, intergovernmental was under budget by approximately \$976,000, and ad valorem taxes approximately \$80,000 less than budgeted. Sales tax and other taxes performed slightly better than projected by approximately \$230,000. Despite this revenue shortfall, through conservative management and prioritizing our expenditures and capital outlay, the County did not spend any of its fund balance and 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 \$899,967 and appropriations by \$2,171,079. The appropriations increase was mostly due to the increases in public safety and the County's human services departments.

As stated above, the actual operating revenues for the General Fund were less than the budgeted amount by \$1.05 million. The County's expenditures were less than the budgeted amount by \$3.34 million, and most of the savings are in the human services programs of \$1.38 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) June 30, 2010

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 \$190,973. 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 2010 was \$205,000 compared to \$258,000 for fiscal year 2009.

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, 2010, totals \$33,810,857 (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 developing Fort Benjamin Park in Newport.
- Purchase of vehicles in departments including seven Sheriff Department vehicles.
- Beaufort Square renovation project was completed. This project began in 2009 and expanded the Beaufort Library, as well as providing County office space.
- The Emergency Operation Center began in fiscal year 2010, and should be 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 \$3.47 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 5,129,985	\$ 5,119,901	\$ 70,298	\$ 52,500	\$ 5,200,283	\$ 5,172,401
Buildings	13,175,312	14,038,616	1,648,317	1,718,959	14,823,629	15,757,575
Water lines	-	-	4,404,513	4,623,297	4,404,513	4,623,297
Vehicles	945,964	1,157,343	5,032	10,590	950,996	1,167,933
Equipment	616,186	747,860	32,156	43,262	648,342	791,122
Airport facilities	71,303	110,464	-	-	71,303	110,464
Other improvements	3,428,986	3,757,126	-	-	3,428,986	3,757,126
Leasehold improvements	1,463,180	-	-	-	1,463,180	-
Construction in progress	2,237,753	1,235,642	581,872	-	2,819,625	1,235,642
Total	\$27,068,669	\$26,166,952	\$6,742,188	\$6,448,608	\$33,810,857	\$32,615,560

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
June 30, 2010**

General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2010, the County had total bonded debt outstanding of \$52,330,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

General Obligation, Capital Leases and Installment Notes Payable

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$52,330,000	\$55,920,000	\$ -	\$ -	\$52,330,000	\$ 55,920,000
Certificate of participation	5,735,000	7,045,000	-	-	5,735,000	7,045,000
Installment note payable	15,135,783	16,453,210	2,643,416	2,814,448	17,779,199	19,267,658
Total long-term debt	\$73,200,783	\$79,418,210	\$2,643,416	\$2,814,448	\$75,844,199	\$82,232,658

The County's governmental debt decreased by \$6,388,459 (excluding deferred amounts) or 7.8% during the past fiscal year. The decrease is due to debt principal payments in the governmental activities.

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

Moody's Investor Services	Aa2
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, 2010 for the County is \$1,449,443,478.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 64 - 69 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, 2010, the unemployment rate for the County averaged 8.39%, compared to the 7.42% for fiscal year 2009. This compares favorably to the state's average unemployment rate of 10.84% for fiscal year 2010. 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 2010. 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. Prior to revaluation, the County implemented only one two cent tax rate increase over a five year period that was necessary for School debt service.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2010

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: The County has approved a \$74.34 million general fund budget for fiscal year 2011 which represents a \$2.04 million or 2.70% decrease over fiscal year 2010. The net decrease in the budget is primarily the combination of decreasing occupancy tax available for beach nourishment by approximately \$.95 million due to NC General Statute distribution change, approximately \$.50 million decrease in education funding, and approximately \$.59 million decrease in county functions such as general government and public safety. The Board of Commissioners did increase funding to operate the 911 communications center that will open sometime fiscal year 2011. The ad valorem tax rate is twenty-three cents; the same rate as fiscal year ending June 30, 2010. All revenues are budgeted conservatively, and with the exception of ad valorem taxes, all budgeted revenues are decreased from the fiscal year 2010. The fiscal year 2011 General Fund budgets \$307,505 fund balance appropriation.

Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$21,398,000 or 23.56% of the fiscal year 2010 budget. This area includes funding for the public school system and the Carteret County Community College. Budgeted expenditures for public education operating expenses decreased \$255,375 and will decrease the per pupil allocation to \$2,312 compared to \$2,378 fiscal year 2010. School capital funding increased slightly by \$23,574 to \$1,464,234 for fiscal year 2011.

Although the Board of Commissioners has reduced county department budgets, the Board continues to invest and meet County needs for fiscal year 2011. The Board has funded replacing vehicles and capital equipment, investing in parks continuing to fund the development of a new park, constructing the 911 communications center, and investing in staff. The Board funded cost of living adjustments for full time employees.

Business Activities: The County continues its \$3.47 million construction project to enhance and improve the County's water treatment system. The improvements include constructing an elevated water storage tank, a booster pump station, and water plant upgrades. The project will also consist of a second elevated water storage tank, construction of two additional booster pump stations, and installation of fire hydrants to offer fire protection improvements throughout the system. The entire project is scheduled to be completed in fiscal year 2011. The project is funded with a combination of grants and installment loans.

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, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,053,323	\$ 656,607	\$ 17,709,930
Investments	26,770,564	-	26,770,564
Receivables (net)	9,561,218	231,045	9,792,263
Due from component unit	347,123	-	347,123
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	3,658,501	-	3,658,501
Investments	2,155,054	-	2,155,054
Deferred charges, debt issuance costs	571,547	-	571,547
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	7,367,738	652,170	8,019,908
Other capital assets, net of depreciation	19,700,931	6,090,018	25,790,949
Total capital assets	27,068,669	6,742,188	33,810,857
Total assets	87,185,999	7,629,840	94,815,839
Liabilities			
Accounts payable and accrued expenses	4,305,638	602,185	4,907,823
Accrued interest payable	694,993	11,932	706,925
Customer deposits	-	66,407	66,407
Unearned revenue	40,382	-	40,382
Long-term liabilities:			
Due within one year	7,039,187	171,775	7,210,962
Due in more than one year	68,318,605	2,487,796	70,806,401
Total liabilities	80,398,805	3,340,095	83,738,900
Net Assets			
Invested in capital assets, net of related debt	24,050,669	4,098,772	28,149,441
Restricted for:			
Public Safety	4,224,492	-	4,224,492
Economic Development	9,936,338	-	9,936,338
Cultural and Recreation	89,129	-	89,129
Register of Deeds	274,802	-	274,802
Human Services	907,160	-	907,160
Other purposes	-	-	-
Unrestricted (deficit)	(32,695,396)	190,973	(32,504,423)
Total net assets	\$ 6,787,194	\$ 4,289,745	\$ 11,076,939

See Notes to Financial Statements.

Component Units

Beaufort- Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ 115,147	\$ 411,743	\$ 43,532,134	\$ 819,952
-	-	-	-
119,163	366,658	14,550,941	-
-	-	-	-
-	-	2,689,104	1,419,781
2,104	-	1,378,470	53,993
-	-	5,005,526	-
-	-	-	-
-	-	-	-
-	-	2,217,257	-
2,219,246	-	3,523,969	1,080,717
1,841,718	130,009	37,868,293	3,012,253
4,060,964	130,009	41,392,262	4,092,970
4,297,378	908,410	110,765,694	6,386,696
96,797	148,480	12,111,056	1,184,331
-	-	-	-
-	-	-	-
-	-	3,199,629	-
31,632	3,842	745,675	557,772
260,059	11,524	1,269,098	1,719,352
388,488	163,846	17,325,458	3,461,455
3,769,273	130,009	39,377,489	1,965,846
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	570,335	321,238
139,617	614,555	53,492,412	638,157
\$ 3,908,890	\$ 744,564	\$ 93,440,236	\$ 2,925,241

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,369,989	\$ 1,477,628	\$ 38,218	\$ -
Public safety	16,919,404	162,804	1,264,069	-
Transportation	907,113	125,360	403,443	-
Economic and physical development	4,469,445	435,466	665,788	-
Environmental protection	3,130,735	2,243,091	22,176	-
Human services	15,071,578	382,602	8,494,321	-
Cultural and recreation	4,198,808	213,789	7,365	236,993
Education	31,982,375	-	148,415	-
Interest on long-term debt	3,197,911	-	700,000	-
Total governmental activities	86,247,358	5,040,740	11,743,795	236,993
Business-type activities:				
Water	798,432	564,172	-	115,605
Total primary government	\$ 87,045,790	\$ 5,604,912	\$ 11,743,795	\$ 352,598
Component units:				
Airport Authority	\$ 207,957	\$ 100,941	\$ 67,290	\$ 226,586
Tourism Development Authority	2,399,372	2,087,970	150,000	-
Hospital	106,527,825	111,907,019	458,934	12,161
ABC Board	8,196,257	8,352,182	-	-
Total component units	\$ 117,331,411	\$ 122,448,112	\$ 676,224	\$ 238,747
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

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
\$ (4,854,143)	\$ -	\$ (4,854,143)				
(15,492,531)	-	(15,492,531)				
(378,310)	-	(378,310)				
(3,368,191)	-	(3,368,191)				
(865,468)	-	(865,468)				
(6,194,655)	-	(6,194,655)				
(3,740,661)	-	(3,740,661)				
(31,833,960)	-	(31,833,960)				
(2,497,911)	-	(2,497,911)				
<u>(69,225,830)</u>	<u>-</u>	<u>(69,225,830)</u>				
-	(118,655)	(118,655)				
<u>(69,225,830)</u>	<u>(118,655)</u>	<u>(69,344,485)</u>				
			\$ 186,860	\$ -	\$ -	\$ -
			-	(161,402)	-	-
			-	-	5,850,289	-
			-	-	-	155,925
			<u>186,860</u>	<u>(161,402)</u>	<u>5,850,289</u>	<u>155,925</u>
50,528,632	-	50,528,632	-	-	-	-
12,277,230	-	12,277,230	-	-	-	-
4,398,904	-	4,398,904	-	-	-	-
462,860	-	462,860	-	-	-	-
790,705	15,722	806,427	-	684	551,092	1,100
703,663	-	703,663	-	1,130	-	-
(205,000)	205,000	-	-	-	-	-
<u>68,956,994</u>	<u>220,722</u>	<u>69,177,716</u>	<u>-</u>	<u>1,814</u>	<u>551,092</u>	<u>1,100</u>
(268,836)	102,067	(166,769)	186,860	(159,588)	6,401,381	157,025
7,056,030	4,187,678	11,243,708	3,722,030	904,152	87,038,855	2,768,216
<u>\$ 6,787,194</u>	<u>\$ 4,289,745</u>	<u>\$ 11,076,939</u>	<u>\$ 3,908,890</u>	<u>\$ 744,564</u>	<u>\$ 93,440,236</u>	<u>\$ 2,925,241</u>

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2010

	Governmental Fund Types		
	Major Fund General	Total Non-Major Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 37,733,211	\$ 6,090,675	\$ 43,823,886
Receivables, net	7,134,395	1,858,399	8,992,794
Restricted cash and investments	1,143,519	4,670,037	5,813,556
Due from other funds	836,657	-	836,657
Due from component units	347,123	-	347,123
Total assets	\$ 47,194,905	\$ 12,619,111	\$ 59,814,016
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,508,794	\$ 1,796,844	\$ 4,305,638
Due to other funds	-	836,657	836,657
Unearned revenue	40,382	-	40,382
Deferred revenue	2,318,169	418,952	2,737,121
Total liabilities	4,867,345	3,052,453	7,919,798
Fund balances:			
Reserved for Register of Deeds	274,802	-	274,802
Reserved for Recreation Districts	89,129	-	89,129
Reserved for Beach Nourishment	9,550,285	-	9,550,285
Reserved by State statute	5,668,864	-	5,668,864
Reserved for Sheriff's fund	84,052	-	84,052
Reserved for Health programs	907,160	-	907,160
Reserved for Special taxing districts	-	2,430,758	2,430,758
Unreserved:			
Designated for subsequent year's expenditures - General fund	307,505	-	307,505
Designated for subsequent year's expenditures - Special revenue fund	-	815,895	815,895
Designated for subsequent year's expenditures - Capital projects funds	-	1,091,100	1,091,100
Undesignated - General fund	25,445,763	-	25,445,763
Undesignated - Special revenue funds	-	948,698	948,698
Undesignated (deficit) - Special revenue funds	-	(165)	(165)
Undesignated - Capital projects funds	-	4,952,238	4,952,238
Undesignated (deficit)- Capital projects funds	-	(671,866)	(671,866)
Total fund balance	42,327,560	9,566,658	51,894,218
Total liabilities and fund balance	\$ 47,194,905	\$ 12,619,111	\$ 59,814,016

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

Total fund balances for governmental funds	\$ 51,894,218
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	27,068,669
Liabilities for earned but deferred revenues in the fund statements	2,737,121
Accrued interest receivable deferred in the fund statements	568,424
Deferred charges for 2004 COPS, 2005 General Obligation, and 2009 installment refunding Issuance cost	571,547
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(694,993)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(75,357,792)
Net assets of governmental activities	\$ 6,787,194

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2010

	Governmental Fund Types		
	Major Fund General	Total Non-Major Funds	Total Governmental Funds
Revenue			
Ad valorem taxes	\$ 44,092,628	\$ 6,107,724	\$ 50,200,352
Other taxes and licenses	10,987,582	5,688,552	16,676,134
Permits and fees	2,355,405	-	2,355,405
Intergovernmental	10,951,989	1,389,294	12,341,283
Sales and services	2,681,926	-	2,681,926
Interest	606,440	184,265	790,705
Miscellaneous	156,290	-	156,290
Total revenue	71,832,260	13,369,835	85,202,095
Expenditures			
Current:			
General government	5,852,801	-	5,852,801
Public safety	9,016,925	7,274,761	16,291,686
Transportation	781,852	-	781,852
Environmental protection	3,104,110	-	3,104,110
Economic and physical development	1,911,156	2,529,922	4,441,078
Human services	14,618,041	-	14,618,041
Culture and recreation	2,632,473	-	2,632,473
Education	21,888,541	-	21,888,541
Capital outlay	-	13,242,438	13,242,438
Debt service:			
Principal retirement	6,217,427	-	6,217,427
Interest and fees	3,188,650	-	3,188,650
Total expenditures	69,211,976	23,047,121	92,259,097
Revenue over (under) expenditures	2,620,284	(9,677,286)	(7,057,002)
Other financing sources (uses)			
Transfer in	2,269,798	2,298,103	4,567,901
Transfers out	(2,066,510)	(2,706,391)	(4,772,901)
Proceeds from sale of capital assets	-	80,750	80,750
Total other financing sources (uses)	203,288	(327,538)	(124,250)
Net change in fund balance	2,823,572	(10,004,824)	(7,181,252)
Fund balances			
Beginning	39,503,988	19,571,482	59,075,470
Ending	\$ 42,327,560	\$ 9,566,658	\$ 51,894,218

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, 2010**

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (7,181,252)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	929,230
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is a decrease to net assets.	(27,513)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	328,280
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	5,682,419
Total changes in net assets of governmental activities	<u>\$ (268,836)</u>

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, 2010

	General Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenue				
Ad valorem taxes	\$ 44,150,000	\$ 44,173,000	\$ 44,092,628	\$ (80,372)
Other taxes and licenses	10,780,500	10,757,500	10,987,582	230,082
Permits and fees	2,372,963	2,303,705	2,355,405	51,700
Intergovernmental	11,035,084	11,928,311	10,951,989	(976,322)
Sales and services	2,696,320	2,758,918	2,681,926	(76,992)
Interest	750,000	750,000	606,440	(143,560)
Miscellaneous	195,523	208,923	156,290	(52,633)
Total revenue	71,980,390	72,880,357	71,832,260	(1,048,097)
Expenditures				
Current:				
General government	6,097,400	6,356,203	5,852,801	503,402
Public safety	8,534,070	9,275,508	9,016,925	258,583
Transportation	903,045	1,041,832	781,852	259,980
Environmental protection	3,124,770	3,242,412	3,104,110	138,302
Economic and physical development	2,386,905	2,404,129	1,911,156	492,973
Human services	15,138,305	15,997,407	14,618,041	1,379,366
Culture and recreation	2,754,860	2,795,943	2,632,473	163,470
Education	21,885,375	21,897,375	21,888,541	8,834
Debt service:				
Principal retirement	6,330,000	6,330,000	6,217,427	112,573
Interest and fees	3,230,500	3,215,500	3,188,650	26,850
Total expenditures	70,385,230	72,556,309	69,211,976	3,344,333
Revenue over expenditures	1,595,160	324,048	2,620,284	2,296,236
Other financing sources (uses)				
Transfers in	2,454,000	2,456,050	2,269,798	(186,252)
Transfers out	(1,260,800)	(2,066,510)	(2,066,510)	-
Contingency reserves	(3,034,460)	(1,759,906)	-	1,759,906
Appropriated fund balance	246,100	1,046,318	-	(1,046,318)
Total other financing uses	(1,595,160)	(324,048)	203,288	527,336
Revenue over expenditures and other sources (uses)	\$ -	\$ -	2,823,572	\$ 2,823,572
Fund balances				
Beginning			39,503,988	
Ending			<u>\$ 42,327,560</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fund Net Assets - Proprietary Fund
June 30, 2010**

	Water Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 656,607
Receivables, net	231,045
Total current assets	<u>887,652</u>
Noncurrent Assets	
Capital assets:	
Land, improvements, and construction in progress	652,170
Other capital assets, net of depreciation	6,090,018
Total capital assets	<u>6,742,188</u>
Total noncurrent assets	<u>6,742,188</u>
Total assets	<u>7,629,840</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	602,185
Customer deposits	66,407
Accrued interest payable	11,932
Current portion of long-term liabilities	171,775
Total current liabilities	<u>852,299</u>
Long-Term Liabilities	
Installment loan payable and long-term liabilities	2,487,796
Total long-term liabilities	<u>2,487,796</u>
Total liabilities	<u>3,340,095</u>
Net Assets	
Invested in Capital Assets, net of related debt	4,098,772
Unrestricted	190,973
Total net assets	<u>\$ 4,289,745</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2010

	Water Fund
Operating revenues	
Charges for services	\$ 564,172
Total operating revenues	<u>564,172</u>
Operating expenses	
Water plant operations	415,683
Depreciation	306,090
Total operating expenses	<u>721,773</u>
Operating loss	<u>(157,601)</u>
Nonoperating revenues	
Interest revenue	15,722
Interest expense	(76,659)
Total nonoperating revenues (expenses)	<u>(60,937)</u>
Loss before contributions and transfers	(218,538)
Capital contributions	115,605
Transfers in	205,000
Change in net assets	<u>102,067</u>
Total net assets	
Beginning	4,187,678
Ending	<u>\$ 4,289,745</u>

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2010**

	Water Fund
<hr/>	
Cash Flows From Operating Activities	
Cash received from customers	\$ 511,943
Cash paid for goods and services	(229,306)
Cash paid to employees for services	(203,052)
Customer deposits received	4,727
Net cash provided by operating activities	<u>84,312</u>
Cash Flows From Noncapital Financing	
Transfers in	<u>205,000</u>
Net cash provided by noncapital financing	<u>205,000</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on installment debt and capital lease	(171,032)
Interest paid on installment debt and capital lease	(77,460)
Acquisition and construction of capital assets	(29,140)
Net cash used in capital and related financing activities	<u>(277,632)</u>
Cash Flows Provided By Investing Activities	
Interest on investments	<u>15,722</u>
Net increase in cash and cash equivalents	27,402
Cash and cash equivalents:	
Beginning	<u>629,205</u>
Ending	<u><u>\$ 656,607</u></u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)
Year Ended June 30, 2010

	Water Fund
Reconciliation of Operating Loss to Net Cash	
Provided By Operating Activities	
Operating loss	\$ (157,601)
Adjustments to reconcile operating loss to net cash	
provided by operating activities:	
Depreciation	306,090
Provision for uncollectible accounts	11,816
Changes in assets and liabilities:	
Increase in accounts receivable	(51,785)
Decrease in accounts payable and accrued liabilities	(27,587)
Increase in customer deposits	4,727
Decrease in accrued vacation pay	(1,348)
Net cash provided by operating activities	\$ 84,312

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
June 30, 2010**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 71,564</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 71,564</u>

See Notes to Financial Statements.

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Notes to Financial Statements

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

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Carteret County, North Carolina

Notes to Financial Statements

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

Nature of operations

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

Reporting entity

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

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

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

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

Carteret County 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.

Carteret County, North Carolina

Notes to Financial Statements

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

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

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

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

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, 2010.

Summary of significant accounting policies

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

Basis of presentation, Measurement Focus – Basis of Accounting

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government (the "County") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Notes to Financial Statements

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

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

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

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.

The County reports the following major enterprise fund:

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

The County reports the following fiduciary fund:

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: The Social Services Trust Fund, which accounts for moneys deposited 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.

Notes to Financial Statements

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

Measurement focus and basis of accounting

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

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

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

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

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

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

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

Carteret County, North Carolina

Notes to Financial Statements

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Carteret County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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 2005 CDBG Supplemental Program, 2006 CDBG SSH Program, 2006 CDBG Water Connection Program, 2006 Hazardous Mitigation Grant Program), the capital projects funds (excluding the Carteret Community College Renovation Fund, the Morehead Elementary School Fund, the Beaufort Square and County 911 Center Fund, 2006 School Bond Project Fund, the East Carteret High School Building 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.

Carteret County, North Carolina

Notes to Financial Statements

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

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

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total for the general fund and the special revenue funds, and at the object level for the capital projects funds. All budgets are fixed in nature. The County Manager is authorized to approve transfers between departments not to exceed \$20,000. Transfers between departments that exceed \$20,000 or any transfers between funds require Board approval. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

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

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

Cash and cash equivalents: The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each 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.

Carteret County, North Carolina

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, 2009 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. The County and Airport Authority utilize the consumption method for prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

Carteret County, North Carolina

Notes to Financial Statements

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

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

Capital assets of the Hospital, the ABC Board and the TDA are recorded at original cost at the time of acquisition. Capital assets donated to these entities for operations are recorded at the estimated fair market value at the date of donation. Any interest incurred during the construction phase of the capital assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. The Airport Authority does not own any land but utilizes facilities provided by the County. All Airport land is owned by the County and is included in the government-wide financial statements as assets of the County. The County owns legal title to all Hospital facilities and improvements under a lease agreement which allows the Hospital unrestricted use of those facilities. The County's policy is to report these assets in the Hospital component unit.

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

	<u>Useful Lives</u>
Buildings and improvements	10 - 40 years
Furniture and equipment	4 - 20 years
Improvements other than building	5 - 20 years

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

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

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

Notes to Financial Statements

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

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

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

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

The sick leave policies of the County, the Airport, TDA, Hospital, and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of 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.

Notes to Financial Statements

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

Net assets/fund balances:

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

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

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

The governmental funds classify fund balances as follows:

Reserved

- Reserved for Register of Deeds — portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds office.
- Reserved for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Reserved for Beach Nourishment — represents amount reserved for beach nourishment.
- Reserved by State statute — portion of fund balance not available for appropriation after remaining reserves not available for appropriation have been segregated [G.S. 159-8(a)]. This generally includes accounts receivable and amounts due from other funds, which are not offset by deferred revenues. Receivables of the General Fund due from the Occupancy Tax Fund totaling \$331,142, which would otherwise be reserved by State statute, are already reported as Reserved for Beach Nourishment, accordingly, these amounts are not included in amounts reported as reserved by State statute.
- Reserved for Sheriff's fund — represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Reserved for Health programs — represents amounts restricted to expenditures in specific health programs.
- Reserved for Special taxing districts — represents amounts restricted to expenditures for special rescue and fire taxing districts.

Unreserved

- Designated for subsequent year's expenditures — portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.
- Undesignated — portion of total fund balance available for appropriation, which is uncommitted at June 30, 2010.

Carteret County, North Carolina

Notes to Financial Statements

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$45,107,024) 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	\$ 53,332,319
Less accumulated depreciation	26,263,650
Net capital assets	<u>27,068,669</u>
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	568,424
Deferred charges for COPS Issuance costs and General Obligation Issuance costs	571,547
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	2,737,121
Accrued interest is not due and payable in the current period and therefore is not reported in the funds	(694,993)
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	(73,200,783)
Premiums on refundings	(1,012,091)
Deferred charges	411,547
Discount on refundings	737,871
Compensated absences	(1,069,143)
Accrued net pension obligation	(1,225,193)
Total adjustment	<u>\$ (45,107,024)</u>

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 \$6,912,416 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,964,474
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	(2,035,244)
Sale of capital assets	73,938
Costs on disposal of capital assets	(101,451)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements. Amounts also include bond issuance costs and unamortized charge	6,157,182
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	2,270
Long-term net pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(476,287)
Decrease in interest payable on long-term debt at June 30, 2010	50,984
Amortization expense	(51,730)
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, 2009	(2,445,095)
Recording of tax receipts deferred in the fund statements as of June 30, 2010	2,737,121
Increase in accrued interest on taxes receivable for year ended June 30, 2010	36,254
Total adjustment	\$ 6,912,416

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability

The CDBG 2006 SSH special revenue fund had a deficit fund balance of (\$165) as of June 30, 2010. 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.

The Beaufort Square and County 911 Center capital project fund had a deficit fund balance of (\$671,866) as of June 30, 2010. The fund incurred capital outlay expenditures. This fund will receive additional transfers from the General Fund to cover project expenditures.

Component unit information:

The Airport Authority is not in accordance with State law [G.S. 159-29]. State law requires that the Authority carry a minimum of \$50,000 performance bond on the Finance Officer. The Authority is in the process of acquiring the required insurance.

Note 3. Cash and Investments

Cash on hand:

The County had \$1,720 in petty cash on hand at June 30, 2010.

Component unit information:

Carteret County General Hospital had \$3,718 in cash on hand at September 30, 2009.

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, 2010, the County's deposits, excluding petty cash, had a carrying amount of \$21,366,711 and a bank balance of \$21,819,020. Of the bank balance, \$1,689,583 was covered by federal depository insurance and \$20,129,437 was covered by collateral held under the Pooling Method. Restricted cash in the amount of \$3,658,501 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$65,558, interest bearing accounts for banking services of \$487,122, \$760,480 for capital projects, and the remaining \$2,345,341 is restricted for fire and rescue special taxing districts.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

At June 30, 2010, the County's agency fund deposits had a carrying amount of \$71,564 and a bank balance of \$78,707. Of the bank balance \$77,638 was covered by federal depository insurance and \$1,069 collateral held under the pooling method.

Component unit information:

At June 30, 2010, the carrying amount of deposits for Tourism and Development Authority with financial institutions was \$352,545 and the bank balance was \$364,563. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$173,761 was covered by collateral held under the pooling method.

At June 30, 2010, the carrying amount of deposits and petty cash for Beaufort-Morehead City Airport Authority was \$115,147 and the bank balance was \$117,768. Of the bank balance, \$117,768 was covered by federal depository insurance.

At September 30, 2009, the carrying amount of the Hospital's deposits and cash on hand was \$48,537,660 and the bank balance was \$48,542,575. Of the bank balance, \$1,750,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2010, the carrying amount of deposits for Carteret County ABC Board was \$812,852 and the bank balance was \$848,560. All of the bank balance was covered by federal depository insurance.

Investments:

At June 30, 2010, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		1 Year	1-5 Years	6-10 Years	10-19 Years
Commercial Paper	\$ 4,992,220	\$ 4,992,220	\$ -	\$ -	\$ -
US Government Agencies	10,521,240	350,930	1,001,250	3,047,130	6,121,930
NC Capital Management Trust Cash Portfolio	13,018,034	N/A	N/A	N/A	N/A
NC Capital Management Trust Term Portfolio	394,124	394,124	-	-	-
Total	\$28,925,618	\$ 5,737,274	\$ 1,001,250	\$ 3,047,130	\$ 6,121,930

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.

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Credit risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2010, 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 AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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

Concentration of credit risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in each of the following: commercial paper (17.26%), Federal National Mortgage Association \$6,471,570 (22.37%) and Federal Home Loan Mortgage \$3,048,420 (10.54%). The County's investments in commercial paper consist of the following issuers: Barclays (3.44%), Fcar Owner Trust (10.37%), and UBS Finance (3.45%). 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, 2010, the County had restricted investments of \$2,155,054. In the Capital Projects Funds there are restricted investments of \$264 for the construction of Beaufort Elementary School, \$1,803,860 for the expansions and renovations to our public schools as outlined in the 2006 School GO Bond and \$350,930 for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2010, the TDA had \$59,198 invested in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net assets.

Carteret County, North Carolina

Notes to Financial Statements

Note 4. Receivables

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2010:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 568,424	\$ -	\$ 568,424
Taxes	2,967,403	-	2,967,403
Accounts	563,972	512,102	1,076,074
Intergovernmental	5,246,186	118,093	5,364,279
Other	752,711	-	752,711
Gross receivables	10,098,696	630,195	10,728,891
Less allowance for uncollectibles	(537,478)	(399,150)	(936,628)
Net total receivables	\$ 9,561,218	\$ 231,045	\$ 9,792,263

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
2007	\$ 181,837	\$ 43,186	\$ 225,023
2008	184,345	10,658	195,003
2009	200,505	11,529	212,034
2010	226,892	-	226,892
Total	\$ 793,579	\$ 65,373	\$ 858,952

Component unit information

The Carteret County General Hospital Corporation receivables are net of an allowance for doubtful accounts in the amount of \$10,261,000. 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:

	Capital Assets July 1, 2009	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	4,950,352	601,687	(591,603)	-	4,960,436
Construction in progress	1,235,642	2,501,722	(1,499,611)	-	2,237,753
Total capital assets not being depreciated	6,355,543	3,103,409	(2,091,214)	-	7,367,738
Capital assets, being depreciated:					
Buildings	27,229,668	-	-	-	27,229,668
Vehicles	4,184,570	203,817	(56,466)	-	4,331,921
Equipment	4,583,679	239,248	(7,333)	-	4,815,594
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	6,580,950	-	-	-	6,580,950
Leasehold improvements	-	1,481,701	-	-	1,481,701
Total capital assets being depreciated	44,103,614	1,924,766	(63,799)	-	45,964,581
Less accumulated depreciation for:					
Buildings	13,191,052	863,304	-	-	14,054,356
Vehicles	3,027,227	415,196	(56,466)	-	3,385,957
Equipment	3,835,819	370,922	(7,333)	-	4,199,408
Airport facilities	1,414,283	39,161	-	-	1,453,444
Other improvements	2,823,824	328,140	-	-	3,151,964
Leasehold improvements	-	18,521	-	-	18,521
Total accumulated depreciation	24,292,205	\$ 2,035,244	\$ (63,799)	\$ -	26,263,650
Total capital assets, being depreciated, net	19,811,409				19,700,931
Governmental activity capital assets, net	\$ 26,166,952				\$ 27,068,669

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

Governmental activities:	
General government	\$ 437,010
Public Safety	672,986
Transportation	123,332
Economic & Physical Development	33,091
Human Services	292,974
Culture & Recreation	410,241
Environmental Protection	65,610
Total depreciation expense - governmental activities	\$ 2,035,244

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2009	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2010
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 52,500	\$ 17,798	\$ -	\$ -	\$ 70,298
Construction in progress	-	581,872	-	-	581,872
Total capital assets, not being depreciated	52,500	599,670	-	-	652,170
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	6,251,044	-	-	-	6,251,044
Vehicles	27,792	-	-	-	27,792
Equipment	89,850	-	-	-	89,850
Total capital assets, being depreciated	8,487,950	-	-	-	8,487,950
Less accumulated depreciation for:					
Buildings	400,305	70,642	-	-	470,947
Infrastructure	1,627,747	218,784	-	-	1,846,531
Vehicles	17,202	5,558	-	-	22,760
Equipment	46,588	11,106	-	-	57,694
Total accumulated depreciation	2,091,842	\$ 306,090	\$ -	\$ -	2,397,932
Total capital assets, being depreciated, net	6,396,108				6,090,018
Business-type activities capital assets, net	\$ 6,448,608				\$ 6,742,188

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, 2009:

	Balance September 30, 2008	Additions	Retirements	Balance September 30, 2009
Capital assets:				
Nondepreciable capital assets:				
Construction in progress	\$ 102,576	\$ 1,630,866	\$ (1,509,496)	\$ 223,946
Land	2,978,501	321,522	-	3,300,023
	<u>3,081,077</u>	<u>1,952,388</u>	<u>(1,509,496)</u>	<u>3,523,969</u>
Depreciable capital assets:				
Land improvements	1,110,988	-	-	1,110,988
Buildings and improvements	27,187,256	263,268	(496)	27,450,028
Equipment	44,682,623	6,866,073	(1,595,659)	49,953,037
	<u>72,980,867</u>	<u>7,129,341</u>	<u>(1,596,155)</u>	<u>78,514,053</u>
Total capital assets at historical costs	76,061,944	9,081,729	(3,105,651)	82,038,022
Less accumulated depreciation:				
Land improvements	716,640	47,047	-	763,687
Buildings and improvements	9,762,559	949,568	(496)	10,711,631
Equipment	26,581,175	4,164,402	(1,575,135)	29,170,442
Total accumulated depreciation	37,060,374	5,161,017	(1,575,631)	40,645,760
Capital assets, net	\$ 39,001,570	\$ 3,920,712	\$ (1,530,020)	\$ 41,392,262

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, 2010:

Land	\$ 1,080,717
Buildings	3,213,134
Furniture and equipment	1,131,370
Leasehold improvements	144,927
Building improvements	112,352
	<u>5,682,500</u>
Less accumulated depreciation	1,589,530
	<u>\$ 4,092,970</u>

The following is a summary of the Beaufort – Morehead City Airport Authority's capital assets at June 30, 2010:

Construction in progress	\$ 297,114
Land	1,345,132
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	444,989
Land/runway improvements	1,658,018
	<u>4,423,329</u>
Less accumulated depreciation	362,365
	<u>\$ 4,060,964</u>

During the fiscal year ended June 30, 2010, the Authority determined that certain grant projects were capitalized at an amount that differed from the reports provided by the engineers to the state at June 30, 2009.

The beginning net asset balance of the Authority, as presented in the Statement of Activities, has been adjusted by \$15,548 for the adjustment described above.

The following is a summary of the Carteret County Tourism and Development Authority's capital assets at June 30, 2010:

Buildings	\$ 67,069
Other improvements	56,757
Equipment	109,778
Vehicles and motorized equipment	20,286
	<u>253,890</u>
Less accumulated depreciation	123,881
	<u>\$ 130,009</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, 2010, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,503,307	\$ 1,005,447	\$ 2,508,754
Other governmental	1,796,884	-	1,796,884
Total governmental activities (1)	\$ 3,300,191	\$ 1,005,447	\$ 4,305,638
Business-type activities:			
Water	\$ 589,721	\$ 12,464	\$ 602,185
Total business - type activities	\$ 589,721	\$ 12,464	\$ 602,185

(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)	\$ -	\$ 40,382
Taxes receivable, net (General)	2,010,973	-
Taxes receivable, net (Special Revenue)	418,952	-
Solid waste fees (General)	307,196	-
Total	\$ 2,737,121	\$ 40,382

Notes to Financial Statements

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, 2010 are comprised of the following individual issues:

2002 Carteret Community College additions due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 4.75%	\$ 5,600,000
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%	11,130,000
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%	19,400,000
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%	16,200,000
	<u>\$ 52,330,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest
2011	\$ 3,585,000	\$ 2,269,235
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
2016-2020	17,600,000	5,540,482
2021-2025	12,750,000	2,235,000
2026-2027	2,950,000	147,588
	<u>\$ 52,330,000</u>	<u>\$ 17,666,708</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.

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>\$ 5,735,000</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, 2010, are as follows:

Year Ending June 30,	Principal	Interest
2011	\$ 580,000	\$ 244,821
2012	580,000	223,796
2013	575,000	202,046
2014	445,000	179,765
2015	445,000	161,520
2016-2020	2,225,000	518,573
2021-2022	885,000	62,938
	<u>\$ 5,735,000</u>	<u>\$ 1,593,459</u>

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

Governmental activities (serviced by the General Fund):

Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2003, including interest at 3.35%	\$ 600,000
Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008	2,000,000
Construction and renovations to Carteret Community College buildings for 7 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.260%	971,429
Technology improvements for Carteret County Schools for 5 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.420%	800,000
Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010	1,666,354
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	9,035,000
Technology improvements for Carteret County Emergency Management for 2 consecutive annual installments, beginning in fiscal year 2009-2010, including interest at 3.35%	63,000
	<u>15,135,783</u>

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

Construction of water treatment and distribution facilities for 19 consecutive annual installments, beginning in fiscal year 2004-2005, including interest at 5.75%	403,416
Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%	2,240,000
	<u>2,643,416</u>
	<u>\$ 17,779,199</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, 2010 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,090,857	\$ 423,311	\$ 171,032	\$ 72,588	\$ 2,261,889	\$ 495,899
2012	2,017,857	348,301	171,032	67,717	2,188,889	416,018
2013	1,307,857	275,761	171,032	62,846	1,478,889	338,607
2014	1,297,858	231,310	171,032	57,974	1,468,890	289,284
2015	1,045,000	187,219	171,032	53,103	1,216,032	240,322
2016-2020	4,885,000	445,878	855,160	192,445	5,740,160	638,323
2021-2025	2,491,354	-	793,096	72,446	3,284,450	72,446
2026-2027	-	-	140,000	3,087	140,000	3,087
	<u>\$15,135,783</u>	<u>\$1,911,780</u>	<u>\$2,643,416</u>	<u>\$ 582,206</u>	<u>\$17,779,199</u>	<u>\$2,493,986</u>

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2010:

	Beginning Balance June 30, 2009	Additions	Retirements	Ending Balance June 30, 2010	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 55,920,000	\$ -	\$3,590,000	\$ 52,330,000	\$ 3,585,000
Certificates of participation	7,045,000	-	1,310,000	5,735,000	580,000
Less deferred amounts:					
Advance refunding charge	(870,249)	-	(132,378)	(737,871)	-
Issuance premiums	390,239	-	23,003	367,236	-
Issuance discounts	(459,024)	-	(47,477)	(411,547)	-
Premium on refunding	741,462	-	96,607	644,855	-
Total bonds payable	62,767,428	-	4,839,755	57,927,673	4,165,000
Installment purchase obligatio	16,453,210	-	1,317,427	15,135,783	2,090,857
Compensated absences	1,071,413	1,024,535	1,026,805	1,069,143	783,330
Separation allowance pension obligations	215,838	42,304	36,025	222,117	-
Net OPEB obligation	533,068	640,488	170,480	1,003,076	-
Governmental activity long-term liabilities	\$ 81,040,957	\$ 1,707,327	\$ 7,390,492	\$ 75,357,792	\$ 7,039,187
Business-type activities:					
Installment purchase obligatio	\$ 2,814,448	\$ -	\$ 171,032	\$ 2,643,416	\$ 171,032
Compensated absences	17,504	12,081	13,430	16,155	743
Business-type activity long-term liabilities	\$ 2,831,952	\$ 12,081	\$ 184,462	\$ 2,659,571	\$ 171,775

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, 2010, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin of 1,449,443,478.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment at September 30, 2009. The leases expire at various dates through December 2013 and have a present value of minimum lease payments of \$2,014,773.

Minimum annual lease payments for years subsequent to September 30, 2009 are as follows:

Year Ending September 30,	Capital Leases
2010	\$ 854,796
2011	725,136
2012	449,351
2013	134,295
Total minimum lease payments	2,163,578
Less amount representing interest 3.00% - 7.61%	148,805
Present value of net minimum lease obligations	2,014,773
Less current maturities	745,675
Obligations under capital leases, less current maturities	\$ 1,269,098

Assets under capital leases had a cost basis of \$5,341,297 and accumulated depreciation on these assets of \$3,323,851 at September 30, 2009.

Long-term obligations for the ABC Board as of June 30, 2010 are as follows:

Installment loan payable in the original loan amount of \$995,000 payable in monthly payments including interest at 3.25%. Balance shall be due April 19, 2011. Secured by real estate	\$ 290,238
Installment loan payable in the loan amount of \$995,000 with interest payable at 3.25% monthly. Balance due January 19, 2012. Secured by real estate	859,250
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	350,494
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	627,142
	2,127,124
Less current maturities	407,772
Long-term debt	\$ 1,719,352

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
2011	\$ 407,772
2012	424,397
2013	784,392
2014	510,563
	<u>\$ 2,127,124</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. The outstanding balance on this line of credit was \$150,000 at June 30, 2010. The note is unsecured and requires that the principal balance be reduced to a zero balance for a period of at least 30 consecutive days during the year.

The ABC Board's notes payable include a \$150,000 revolving line of credit with Branch Banking & Trust, interest payable on varying dates based on a fixed rate of 5.00% for a tax exempt status. The outstanding balance on this line of credit was \$-0- at June 30, 2010. 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, 2010 amounted to approximately \$57,918 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, 2010, including \$69,011 of interest, are as follows:

Year Ending June 30,	Amount
2011	\$ 42,669
2012	42,668
2013	42,668
2014	42,668
2015	26,041
2016-2020	88,642
2020-2025	75,346
	<u>\$ 360,702</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2010 in the amount of \$15,366.

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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.92% and 4.86%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.72%, respectively, of annual covered payroll. The contribution requirements of members and of Carteret County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$703,706, \$694,422 and \$660,552, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$34,978, \$33,411 and \$30,121, 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, 2009, 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.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

2. Summary of Significant Accounting Policies

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

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

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% 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	\$	40,252
Interest on net pension obligation		15,648
Adjustment to annual required contribution		<u>(13,596)</u>
Annual pension cost		42,304
Employer contributions made for fiscal year ended June 30, 2010		<u>36,025</u>
Increase in net pension obligation		6,279
Net pension obligation, beginning of fiscal year		<u>215,838</u>
Net pension obligation, end of fiscal year	\$	<u><u>222,117</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/2008	\$ 35,763	73.25%	\$ 202,514
6/30/2009	44,434	70.01%	215,838
6/30/2010	42,304	85.16%	222,117

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 \$455,271. The covered payroll (annual payroll of active employees covered by the plan) was \$1,791,495, and the ratio of the UAAL to the covered payroll was 25.41 percent.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding policy: Article 12E of G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions from the County for the year ended June 30, 2010 were \$138,701, which consisted of \$90,061 from the County and \$48,640 from law enforcement officers. Contributions from the ABC Board for June 30, 2010 consisted of \$2,864 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, 2010 were \$972,016, which consisted of \$625,818 from the County and \$346,198 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.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

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, 2010, the County's required and actual contributions were \$8,493.

Carteret County General Hospital Corporation Pension Plan

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

Contributions for years ended September 30, 2009 and 2008 totaled \$2,102,402 and \$1,916,084, respectively.

Subsequent to the Hospital's year end, a change was made to the Carteret County General Hospital Money Purchase Plan base contribution formula. Effective for the plan year beginning October 1, 2009, the base contribution for the defined contribution pension plan will decrease from 7% to 4% of an employee's base pay.

The Hospital has also set up a retirement savings plan under Section 403(b) of the Internal Revenue Code, effective for the fiscal year ending September 30, 2010. This plan will be available to all employees of the Hospital and employee contributions will be made through payroll deductions authorized by the employee. Employer matching contributions will be made for eligible employee contributions 100% of the first 2% contributed, and will be based upon the employee's annual compensation.

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, 2010 was \$7,224.

Carteret County ABC Board 401 (k) Plan

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

The Board has elected to make matching contributions to the 401 (k) plan on behalf of participating employees up to 3% of their eligible wages. The Board made matching contributions to the plan for years ended June 30, 2010 and 2009 totaling \$33,419 and \$32,099, 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 \$701 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 \$170,480 or 1.21% 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 \$216,188. The County's obligation to contribute to HCB Plan is established and may be amended by the County Commission.

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

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.

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	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>640,488</u>
Contributions made	<u>(170,480)</u>
Increase (decrease) in net OPEB obligation	470,008
Net OPEB obligation, beginning of year	<u>533,068</u>
Net OPEB obligation, end of year	<u><u>\$ 1,003,076</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2010 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

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.

Notes to Financial Statements

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 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, 2010, the County made contributions to the State for death benefits of \$17,550 and the ABC Board made contributions of \$1,021. The County's and the ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Carteret County, North Carolina

Notes to Financial Statements

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	\$ 46,118,594	\$ 16,164,538
TANF	323,477	(134)
WIC	906,006	-
Low Income Home Energy	316,089	-
Special Assistance	-	387,581
	\$ 47,664,166	\$ 16,551,985

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, 2010. 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, 2010. 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, \$5,600,000 and \$971,429 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 \$2,212,731 to the Community College during the fiscal year ended June 30, 2010. 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, 2010. 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, 2010. During the year ended June 30, 2010, the County contributed \$878,000 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 motor vehicle tax was adopted by the legislature and the participating counties and will be collected for a period of five years. The principal balance of the trust funds are nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2010, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Carteret County, North Carolina

Notes to Financial Statements

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, 2010, the County had contractual commitments totaling approximately \$727,000 within the Highway 101 Phase II Water Capital Project Fund financed by loan proceeds from the USDA, of which approximately \$481,993 was paid through June 30, 2010, leaving a remaining commitment under this contract of approximately \$245,007.

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 6/15/76. Incidents occurring through September 30, 2009 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, 2010:

Project	Spent-To-Date	Remaining Commitment
Runway Extension and Partial Parallel Taxiway	\$ 176,901	\$ 132,553
Land Acquisition for Runway Projection Zone	18,972	536,584
T-Hangar Taxi Lane Rehab, R/W 8-26 PAPI and Hold Signs	101,241	65,426
	<u>\$ 297,114</u>	<u>\$ 734,563</u>

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	\$ 331,142
	CDBG 2006 SSH Fund	165
	Beaufort Square Project Fund	<u>505,350</u>
		<u><u>\$ 836,657</u></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	\$ 291,691
	Carteret County ABC Board	
	Net income distribution due to County	
	at June 30, 2010	<u>55,432</u>
		<u><u>\$ 347,123</u></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, 2010 are as follows:

Transfers Out	Transfers In			Total
	Major General	Other Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 1,861,510	\$ 205,000	\$ 2,066,510
Other Governmental Funds	2,269,798	436,593	-	2,706,391
Total transfers out	\$ 2,269,798	\$ 2,298,103	\$ 205,000	\$ 4,772,901

Transfers consist primarily of the following:

\$ 2,066,510	Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue, capital projects and enterprise funds
2,140,253	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
127,495	Transfer from Community College Project Fund to General Fund to close fund
436,593	Transfer from ECHS School Project Fund to 2006 School Project Fund to close fund

Intra-entity transactions with discretely presented component units for the year ended June 30, 2010 are as follows:

Expenditures from General Fund to Beaufort-Morehead City	
Airport Authority for operations	\$ 83,957
Expenditures from Occupancy Tax Fund to	
Carteret County Tourism Development Authority fc	
of Room Occupancy Tax	<u>2,087,970</u>
	<u>\$ 2,171,927</u>
Profit Contributions from ABC Board to	
General Fund	<u>\$ 174,755</u>

Notes to Financial Statements

Note 19. Pronouncements Issued, Not Yet Effective

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

Note 20. Subsequent Events

On September 8, 2010, the County issued a Qualified Zone Academy Bonds ("QZAB") in the amount of \$4,000,000. The financing is 5.22% taxable interest with thirteen years annual installments beginning September 2011. On September 8, 2010, the County also issued a Qualified School Construction Bond ("QSCB") in the amount of \$1,653,860. The financing is 4.81% taxable interest with twelve years annual installments beginning September 2011. Both financings will fund building improvements to East Carteret High School.

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Required Supplemental Financial Data

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

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

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

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

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)
12/31/2004	\$ -	\$ 205,031	\$ 205,031	0.00%	\$ 1,214,506	16.88%
12/31/2005	-	185,553	185,553	0.00%	1,335,490	13.89%
12/31/2006	-	223,213	223,213	0.00%	1,460,449	15.28%
12/31/2007	-	330,143	330,143	0.00%	1,683,212	19.61%
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%

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
2005	\$ 29,931	-
2006	32,346	-
2007	30,593	42.81%
2008	35,763	73.25%
2009	42,551	70.01%
2010	40,252	89.50%

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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00
Projected salary increases*	4.5% - 12.3%
*Includes inflation at	3.75%
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%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2008. 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%
Cost of living adjustments	N/A

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

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Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenue			
Ad valorem taxes:			
Current period	\$ 42,800,000	\$ 42,758,524	\$ (41,476)
Prior years	1,100,000	1,016,357	(83,643)
Interest and penalties	273,000	317,747	44,747
	<u>44,173,000</u>	<u>44,092,628</u>	<u>(80,372)</u>
Other taxes and licenses:			
White goods disposal tax	20,000	20,529	529
ABC local bottle tax	29,500	31,209	1,709
Local option sales tax	10,645,000	10,835,695	190,695
Solid waste disposal tax	-	29,922	29,922
Scrap tire disposal tax	63,000	70,227	7,227
	<u>10,757,500</u>	<u>10,987,582</u>	<u>230,082</u>
Permits and fees:			
Sheriff fees	69,000	119,468	50,468
Register of deeds	837,705	914,804	77,099
Privilege licenses	13,000	14,385	1,385
Franchise fees	500,000	498,588	(1,412)
Building and Inspection Fees	440,000	414,921	(25,079)
Environmental health fees	300,000	242,834	(57,166)
Other fees	144,000	150,405	6,405
	<u>2,303,705</u>	<u>2,355,405</u>	<u>51,700</u>
Intergovernmental:			
Restricted:			
Federal and State grants	10,668,311	9,550,997	(1,117,314)
Lottery Proceeds	400,000	700,000	300,000
Court facilities fees	290,000	238,133	(51,867)
Unrestricted:			
Beer and wine tax	170,000	50,917	(119,083)
Payments in lieu of taxes	-	168,506	168,506
ABC profits	300,000	174,755	(125,245)
Croatan National Forest	100,000	68,681	(31,319)
	<u>11,928,311</u>	<u>10,951,989</u>	<u>(976,322)</u>
Sales and services:			
Solid waste	2,230,000	2,243,091	13,091
Civic center fees	172,520	183,928	11,408
Other	356,398	254,907	(101,491)
	<u>2,758,918</u>	<u>2,681,926</u>	<u>(76,992)</u>
Interest	750,000	606,440	(143,560)
Miscellaneous:			
Proceeds from sale of fixed assets	20,000	17,071	(2,929)
Other	188,923	139,219	(49,704)
	<u>208,923</u>	<u>156,290</u>	<u>(52,633)</u>
Total revenue	<u>72,880,357</u>	<u>71,832,260</u>	<u>(1,048,097)</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits	\$ 60,495	\$ 60,492	\$ 3
Operating expenses	191,730	188,641	3,089
Professional services	98,500	98,565	(65)
	<u>350,725</u>	<u>347,698</u>	<u>3,027</u>
Administration:			
Salaries and employee benefits	339,513	324,502	15,011
Operating expenses	49,900	42,301	7,599
	<u>389,413</u>	<u>366,803</u>	<u>22,610</u>
Information systems:			
Salaries and employee benefits	249,850	195,342	54,508
Operating expenses	427,312	426,981	331
	<u>677,162</u>	<u>622,323</u>	<u>54,839</u>
Finance:			
Salaries and employee benefits	595,312	553,588	41,724
Operating expenses	53,900	40,410	13,490
	<u>649,212</u>	<u>593,998</u>	<u>55,214</u>
Human resources:			
Salaries and employee benefits	219,462	219,810	(348)
Operating expenses	55,161	49,186	5,975
	<u>274,623</u>	<u>268,996</u>	<u>5,627</u>
Tax:			
Salaries and employee benefits	1,045,109	1,043,496	1,613
Operating expenses	111,185	81,828	29,357
Contract services	136,000	132,008	3,992
Capital outlay	-	8,862	(8,862)
	<u>1,292,294</u>	<u>1,266,194</u>	<u>26,100</u>
Revaluation:			
Salaries and employee benefits	210,957	210,924	33
Operating expenses	31,774	9,465	22,309
	<u>242,731</u>	<u>220,389</u>	<u>22,342</u>
Legal:			
Professional services	80,000	74,746	5,254
Court facilities:			
Operating expenses	60,603	52,847	7,756
Elections:			
Salaries and employee benefits	257,404	240,894	16,510
Operating expenses	286,578	145,109	141,469
	<u>543,982</u>	<u>386,003</u>	<u>157,979</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits	\$ 256,968	\$ 250,637	\$ 6,331
Operating expenses	130,601	97,128	33,473
Capital outlay	103,221	119,001	(15,780)
	<u>490,790</u>	<u>466,766</u>	<u>24,024</u>
Public buildings:			
Salaries and employee benefits	561,819	551,457	10,362
Operating expenses	742,849	634,581	108,268
	<u>1,304,668</u>	<u>1,186,038</u>	<u>118,630</u>
Total general government	6,356,203	5,852,801	503,402
Public safety:			
Sheriff:			
Salaries and employee benefits	2,959,003	2,930,646	28,357
Operating expenses	747,114	739,255	7,859
Contract services	42,336	40,766	1,570
Capital outlay	161,000	158,583	2,417
	<u>3,909,453</u>	<u>3,869,250</u>	<u>40,203</u>
Communications:			
Salaries and employee benefits	416,058	425,926	(9,868)
Operating expenses	67,150	56,448	10,702
	<u>483,208</u>	<u>482,374</u>	<u>834</u>
Sheriff - Jail division:			
Salaries and employee benefits	1,406,038	1,399,956	6,082
Operating expenses	1,044,750	976,677	68,073
Contract services	300,000	285,262	14,738
Capital outlay	-	10,825	(10,825)
	<u>2,750,788</u>	<u>2,672,720</u>	<u>78,068</u>
Emergency medical service:			
Salaries and employee benefits	122,071	121,887	184
Operating expenses	30,405	29,342	1,063
Contract services	16,694	16,200	494
	<u>169,170</u>	<u>167,429</u>	<u>1,741</u>
Paramedic operations:			
Salaries and employee benefits	558,707	546,656	12,051
Operating expenses	143,372	143,300	72
Capital outlay	30,000	-	30,000
	<u>732,079</u>	<u>689,956</u>	<u>42,123</u>
Emergency management:			
Salaries and employee benefits	102,559	99,683	2,876
Operating expenses	38,308	30,681	7,627
Contract services	85,590	82,051	3,539
Capital outlay	40	-	40
	<u>226,497</u>	<u>212,415</u>	<u>14,082</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Rape crisis program:			
Salaries and employee benefits	\$ 197,961	\$ 164,224	\$ 33,737
Operating expenses	34,995	27,759	7,236
	<u>232,956</u>	<u>191,983</u>	<u>40,973</u>
Domestic violence program:			
Operating expenses	40,045	34,043	6,002
Fire Marshall:			
Salaries and employee benefits	67,959	67,952	7
Operating expenses	19,533	12,017	7,516
	<u>87,492</u>	<u>79,969</u>	<u>7,523</u>
Consolidated Communications:			
Salaries and employee benefits	68,616	68,612	4
Operating expenses	82,015	67,869	14,146
	<u>150,631</u>	<u>136,481</u>	<u>14,150</u>
Medical examiner:			
Professional services	53,000	52,600	400
Animal control:			
Salaries and employee benefits	211,481	201,761	9,720
Operating expenses	228,708	225,944	2,764
	<u>440,189</u>	<u>427,705</u>	<u>12,484</u>
Total public safety	9,275,508	9,016,925	258,583
Transportation:			
Harbors:			
Operating expenses	28,228	8,517	19,711
Beaufort-Morehead City Airport Authority	83,957	83,957	-
CCATS:			
Salaries and employee benefits	92,247	91,797	450
Operating expenses	548,800	597,581	(48,781)
Capital outlay	288,600	-	288,600
	<u>929,647</u>	<u>689,378</u>	<u>240,269</u>
Total transportation	1,041,832	781,852	259,980
Environmental protection:			
Forest fire control	124,000	89,559	34,441
Tri-County solid waste collections	2,281,600	2,277,329	4,271
Soil conservation:			
Salaries and employee benefits	45,315	45,115	200
Operating expenses	9,281	5,695	3,586
	<u>54,596</u>	<u>50,810</u>	<u>3,786</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits	\$ 411,636	\$ 379,530	\$ 32,106
Operating expenses	314,780	254,078	60,702
Contract services	5,800	2,857	2,943
Capital outlay	50,000	49,947	53
	<u>782,216</u>	<u>686,412</u>	<u>95,804</u>
Total environmental protection	3,242,412	3,104,110	138,302
Economic and physical development:			
Special appropriations:			
Economic Development Council	165,000	150,000	15,000
Business development	40,000	40,000	-
	<u>205,000</u>	<u>190,000</u>	<u>15,000</u>
Beach nourishment			
Salaries and employee benefits	107,007	107,001	6
Operating expenses	336,345	263,118	73,227
Contract services	505,848	224,843	281,005
	<u>949,200</u>	<u>594,962</u>	<u>354,238</u>
Planning and zoning:			
Salaries and employee benefits	748,268	653,481	94,787
Operating expenses	83,587	78,014	5,573
Contract services	22,556	23,681	(1,125)
Capital outlay	30,913	15,758	15,155
	<u>885,324</u>	<u>770,934</u>	<u>114,390</u>
Engineering:			
Salaries and employee benefits	118,124	118,122	2
Operating expenses	12,168	10,593	1,575
	<u>130,292</u>	<u>128,715</u>	<u>1,577</u>
Cooperative extension:			
Salaries and employee benefits	8,320	8,179	141
Operating expenses	225,993	218,366	7,627
	<u>234,313</u>	<u>226,545</u>	<u>7,768</u>
Total economic and physical development	2,404,129	1,911,156	492,973
Human Services:			
Health center:			
Salaries and employee benefits	928,157	861,989	66,168
Operating expenses	252,714	256,097	(3,383)
Capital outlay	7,047	7,047	-
	<u>1,187,918</u>	<u>1,125,133</u>	<u>62,785</u>
Health promotion:			
Salaries and employee benefits	70,716	71,015	(299)
Operating expenses	400	13	387
	<u>71,116</u>	<u>71,028</u>	<u>88</u>
Breast & Cervical Cancer			
Salaries and employee benefits	25,328	24,013	1,315
Operating expenses	17,922	18,377	(455)
	<u>43,250</u>	<u>42,390</u>	<u>860</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits	\$ 145,220	\$ 144,656	\$ 564
Operating expenses	19,258	17,614	1,644
	<u>164,478</u>	<u>162,270</u>	<u>2,208</u>
Communicable Diseases			
Salaries and employee benefits	144,832	111,309	33,523
Operating expenses	1,200	410	790
	<u>146,032</u>	<u>111,719</u>	<u>34,313</u>
Operating Preparedness and Response			
Salaries and employee benefits	152,671	121,581	31,090
Operating expenses	56,245	23,549	32,696
	<u>208,916</u>	<u>145,130</u>	<u>63,786</u>
Family Planning			
Salaries and employee benefits	127,030	94,288	32,742
Operating expenses	59,793	28,042	31,751
	<u>186,823</u>	<u>122,330</u>	<u>64,493</u>
Maternal adult and child health:			
Salaries and employee benefits	290,415	273,547	16,868
Operating expenses	5,665	2,571	3,094
	<u>296,080</u>	<u>276,118</u>	<u>19,962</u>
Child care coordination:			
Salaries and employee benefits	184,882	177,459	7,423
Operating expenses	2,500	2,179	321
	<u>187,382</u>	<u>179,638</u>	<u>7,744</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits	231,903	208,084	23,819
Operating expenses	2,217	1,901	316
	<u>234,120</u>	<u>209,985</u>	<u>24,135</u>
Nutrition:			
Salaries and employee benefits	65,745	56,012	9,733
Operating expenses	500	-	500
	<u>66,245</u>	<u>56,012</u>	<u>10,233</u>
Environmental health:			
Salaries and employee benefits	1,039,118	1,037,999	1,119
Operating expenses	90,433	76,025	14,408
	<u>1,129,551</u>	<u>1,114,024</u>	<u>15,527</u>
State smart start grant:			
Salaries and fringe benefits	48,167	43,434	4,733
Operating supplies	7,744	3,937	3,807
	<u>55,911</u>	<u>47,371</u>	<u>8,540</u>
Mental health:			
Mental health center and other	273,000	273,000	-
Mental health, ABC	29,500	29,496	4
	<u>302,500</u>	<u>302,496</u>	<u>4</u>
DSS administration:			
Salaries and employee benefits	5,297,232	5,200,333	96,899
Operating expenses	428,531	394,956	33,575
Professional services	9,000	1,032	7,968
Capital outlay	30,000	29,476	524
	<u>5,764,763</u>	<u>5,625,797</u>	<u>138,966</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home	\$ 225,000	\$ 236,033	\$ (11,033)
Clothing and medical expense	25,000	15,334	9,666
Special children adoption	27,000	4,841	22,159
Childrens Adoption Incentive	42,500	35,208	7,292
Smart Start day care	25,000	18,000	7,000
Miscellaneous	35,000	29,774	5,226
	<u>379,500</u>	<u>339,190</u>	<u>40,310</u>
TANF Block grant:			
TANF Block grant	264,620	229,952	34,668
Operating expenses	150,000	51,704	98,296
	<u>414,620</u>	<u>281,656</u>	<u>132,964</u>
DSS special assistance	<u>3,496,895</u>	<u>2,908,619</u>	<u>588,276</u>
Special projects	<u>581,751</u>	<u>467,886</u>	<u>113,865</u>
Other human services	<u>342,790</u>	<u>298,233</u>	<u>44,557</u>
CBA juvenile restitution program:			
Salaries and employee benefits	1,232	1,232	-
Operating expenses	1,099	1,142	(43)
Contract services	2,409	2,334	75
	<u>4,740</u>	<u>4,708</u>	<u>32</u>
Veteran services:			
Salaries and employee benefits	267,887	267,485	402
Operating expenses	51,998	50,758	1,240
	<u>319,885</u>	<u>318,243</u>	<u>1,642</u>
Senior center operation:			
Salaries and employee benefits	191,091	163,329	27,762
Operating expenses	42,232	63,363	(21,131)
Contract services	165,822	168,454	(2,632)
Capital outlay	6,036	6,036	-
	<u>405,181</u>	<u>401,182</u>	<u>3,999</u>
Title III F grant:			
Salaries and employee benefits	5,297	5,201	96
Operating expenses	1,663	1,682	(19)
	<u>6,960</u>	<u>6,883</u>	<u>77</u>
Total human services	<u>15,997,407</u>	<u>14,618,041</u>	<u>1,379,366</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	394,930	381,679	13,251
Operating expenses	203,211	174,354	28,857
Contract services	17,100	11,033	6,067
	<u>615,241</u>	<u>567,066</u>	<u>48,175</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2010

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits	\$ 377,880	\$ 367,638	\$ 10,242
Operating expenses	147,709	136,723	10,986
Contract services	35,794	32,115	3,679
Capital outlay	45,091	44,222	869
	<u>606,474</u>	<u>580,698</u>	<u>25,776</u>
Senior center:			
Salaries and employee benefits	107,814	107,188	626
Operating expenses	84,766	34,190	50,576
Contract services	19,782	12,712	7,070
	<u>212,362</u>	<u>154,090</u>	<u>58,272</u>
Carteret County Library:			
Appropriations to Library Systems	1,010,895	1,010,845	50
Civic center:			
Salaries and employee benefits	194,586	190,989	3,597
Operating expenses	145,385	123,039	22,346
Contract services	11,000	5,746	5,254
	<u>350,971</u>	<u>319,774</u>	<u>31,197</u>
Total culture and recreation	<u>2,795,943</u>	<u>2,632,473</u>	<u>163,470</u>
Education:			
Public schools, current expense	19,647,375	19,675,810	(28,435)
Community college, current expense	2,025,000	2,025,000	-
Community college, capital outlay	225,000	187,731	37,269
Total education	<u>21,897,375</u>	<u>21,888,541</u>	<u>8,834</u>
Debt service:			
Principal retirement	6,330,000	6,217,427	112,573
Interest and fees	3,215,500	3,188,650	26,850
Total debt service	<u>9,545,500</u>	<u>9,406,077</u>	<u>139,423</u>
Total expenditures	<u>72,556,309</u>	<u>69,211,976</u>	<u>3,344,333</u>
Revenue over expenditures	<u>324,048</u>	<u>2,620,284</u>	<u>2,296,236</u>
Other financing sources (uses)			
Transfers in (out):			
From Occupancy Tax Fund	2,434,000	2,140,253	(293,747)
From School Bond Fund	2,050	2,050	-
From Community College Bond Fund	20,000	127,495	107,495
To School Project Fund	(990,800)	(990,800)	-
To Water Fund	(205,000)	(205,000)	-
To Capital Improvements Fund	(847,000)	(847,000)	-
To EOC Project Fund	(23,710)	(23,710)	-
Contingency reserves	(1,759,906)	-	1,759,906
Appropriated fund balance	1,046,318	-	(1,046,318)
Total other financing sources (uses)	<u>(324,048)</u>	<u>203,288</u>	<u>527,336</u>
Net change in fund balance	<u>\$ -</u>	<u>2,823,572</u>	<u>\$ 2,823,572</u>
Fund balance			
Beginning		39,503,988	
Ending		<u>\$ 42,327,560</u>	

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2010

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 1,641,816	\$ 4,448,859	\$ 6,090,675
Restricted cash and investments	2,345,341	2,324,696	4,670,037
Receivables, net	1,621,406	236,993	1,858,399
Total assets	\$ 5,608,563	\$ 7,010,548	\$ 12,619,111
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable and accrued liabilities	\$ 663,118	\$ 1,133,726	\$ 1,796,844
Due to other funds	331,307	505,350	836,657
Deferred revenue	418,952	-	418,952
Total liabilities	1,413,377	1,639,076	3,052,453
Fund balances (deficits):			
Reserved for special districts	2,430,758	-	2,430,758
Unreserved:			
Designated for subsequent year's expenditures	815,895	1,091,100	1,906,995
Undesignated	948,698	4,952,238	5,900,936
Undesignated (deficit)	(165)	(671,866)	(672,031)
Total fund balance	4,195,186	5,371,472	9,566,658
Total liabilities and fund balance	\$ 5,608,563	\$ 7,010,548	\$ 12,619,111

Carteret County, North Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2010

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenue			
Ad valorem taxes	\$ 6,107,724	\$ -	\$ 6,107,724
Other taxes and licenses	5,688,552	-	5,688,552
Intergovernmental	1,003,886	385,408	1,389,294
Interest	77,012	107,253	184,265
Total revenue	12,877,174	492,661	13,369,835
Expenditures			
Current:			
Public safety	7,274,761	-	7,274,761
Economic and physical development	2,529,922	-	2,529,922
Capital outlay	-	13,242,438	13,242,438
Total expenditures	9,804,683	13,242,438	23,047,121
Revenue over (under) expenditures	3,072,491	(12,749,777)	(9,677,286)
Other financing sources (uses)			
Transfers in	-	2,298,103	2,298,103
Transfers out	(2,140,253)	(566,138)	(2,706,391)
Proceeds from sale of fixed assets	-	80,750	80,750
Total other financing sources (uses)	(2,140,253)	1,812,715	(327,538)
Net change in fund balance	932,238	(10,937,062)	(10,004,824)
Fund balances			
Beginning	3,262,948	16,308,534	19,571,482
Ending	\$ 4,195,186	\$ 5,371,472	\$ 9,566,658

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.

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Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 1,641,816
Restricted cash and investments	851,935	1,493,406	-
Receivables:			
Property taxes receivable, net	165,601	253,351	-
Accounts receivable	154,944	245,410	46,589
Total assets	\$ 1,172,480	\$ 1,992,167	\$ 1,688,405
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ 103,689	\$ 168,750	\$ 21,221
Due to other funds	-	-	-
Deferred revenue	165,601	253,351	-
Total liabilities	269,290	422,101	21,221
Fund balances (deficits):			
Reserved special districts	891,587	1,539,171	-
Unreserved:			
Designated for subsequent year's expenditures	-	30,895	785,000
Undesignated fund balance (deficit)	11,603	-	882,184
Total fund balances (deficit)	903,190	1,570,066	1,667,184
Total liabilities and fund balances	\$ 1,172,480	\$ 1,992,167	\$ 1,688,405

Occupancy			
Tax Fund	CDBG 2006 SSH Fund		Totals
\$ -	\$ -	\$	1,641,816
-	-		2,345,341
-	-		418,952
752,711	2,800		1,202,454
\$ 752,711	\$ 2,800	\$	5,608,563
\$ 366,658	\$ 2,800	\$	663,118
331,142	165		331,307
-	-		418,952
697,800	2,965		1,413,377
-	-		2,430,758
-	-		815,895
54,911	(165)		948,533
54,911	(165)		4,195,186
\$ 752,711	\$ 2,800	\$	5,608,563

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Deficits)
Year Ended June 30, 2010

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Occupancy Tax Fund
Revenue				
Ad valorem taxes	\$ 2,410,979	\$ 3,696,745	\$ -	\$ -
Other taxes and licenses	570,527	871,008	-	4,247,017
Intergovernmental	-	-	559,066	-
Interest	16,950	24,265	35,422	375
Total revenue	2,998,456	4,592,018	594,488	4,247,392
Expenditures				
Public safety	2,850,833	4,143,028	280,900	-
Economic and physical development	-	-	-	2,087,970
Total expenditures	2,850,833	4,143,028	280,900	2,087,970
Revenue over expenditures	147,623	448,990	313,588	2,159,422
Other financing sources (uses)				
Transfers out	-	-	-	(2,140,253)
Total other financing sources (uses)	-	-	-	(2,140,253)
Revenue and other financing sources over expenditures and other financing uses	147,623	448,990	313,588	19,169
Fund balances (deficits)				
Beginning	755,567	1,121,076	1,353,596	35,742
Ending	\$ 903,190	\$ 1,570,066	\$ 1,667,184	\$ 54,911

CDBG 2006 SSH Fund	CDBG 2006 Hazardous Mitigation Fund	CDBG 2006 Water Connection Fund	Totals
\$ -	\$ -	\$ -	\$ 6,107,724
-	-	-	5,688,552
282,529	87,511	74,780	1,003,886
-	-	-	77,012
282,529	87,511	74,780	12,877,174
-	-	-	7,274,761
279,661	87,511	74,780	2,529,922
279,661	87,511	74,780	9,804,683
2,868	-	-	3,072,491
-	-	-	(2,140,253)
-	-	-	(2,140,253)
2,868	-	-	932,238
(3,033)	-	-	3,262,948
\$ (165)	\$ -	\$ -	\$ 4,195,186

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 2,337,850	\$ 2,410,979	\$ 73,129
Other taxes and licenses:			
Local option sales tax	526,000	570,527	44,527
Interest	-	16,950	16,950
Total revenue	2,863,850	2,998,456	134,606
Expenditures			
Public safety:			
Beaufort	768,296	768,296	-
Broad and Gales Creek	298,650	298,650	-
Mill Creek	75,040	75,040	-
Mitchell Village	219,628	219,628	-
Otway	175,746	175,746	-
Sea Level	364,800	364,800	-
Western Carteret	412,000	414,701	(2,701)
District reserves	35,920	19,250	16,670
Local sales tax	526,000	514,722	11,278
Total expenditures	2,876,080	2,850,833	25,247
Revenue over (under) expenditures	(12,230)	147,623	(159,853)
Other financing sources			
Appropriated fund balance	12,230	-	(12,230)
Revenue and other financing sources over expenditures	\$ -	147,623	\$ 147,623
Fund balances			
Beginning		755,567	
Ending		<u>\$ 903,190</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 3,597,255	\$ 3,696,745	\$ 99,490
Other taxes and licenses:			
Local option sales tax	807,400	871,008	63,608
Interest	-	24,265	24,265
Total revenue	4,404,655	4,592,018	187,363
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	77,070	77,070	-
Beaufort	236,968	236,968	-
Broad and Gales Creek	202,018	202,018	-
Cedar Island	50,635	50,635	-
Davis	79,801	79,801	-
Harkers Island	294,680	294,680	-
Harlowe	64,300	64,300	-
Marshallberg	185,664	185,664	-
Mill Creek	30,160	30,160	-
Mitchell Village, Crab Point	293,122	293,122	-
Newport	336,000	336,000	-
North River	63,768	63,768	-
Otway	139,244	139,244	-
Salter Path	38,000	38,000	-
Sea Level	61,059	61,059	-
South River	126,752	126,752	-
Stacy	18,558	18,558	-
Stella	53,618	53,618	-
Wildwood	446,404	446,404	-
Western Carteret	465,460	473,925	(8,465)
District reserves	370,439	78,494	291,945
Local sales tax	807,400	792,788	14,612
Total expenditures	4,441,120	4,143,028	298,092
Revenue over (under) expenditures	(36,465)	448,990	485,455
Other financing sources			
Appropriated fund balance	36,465	-	(36,465)
Revenue and other financing sources over expenditures	\$ -	448,990	\$ 448,990
Fund balances			
Beginning		1,121,076	
Ending		<u>\$ 1,570,066</u>	

Carteret County, North Carolina

Emergency 911 Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ 380,000	\$ 559,066	\$ 179,066
Interest	-	35,422	35,422
Total revenue	380,000	594,488	214,488
Expenditures			
Public safety:			
Operating expenses	288,000	189,926	98,074
Contracted services	70,000	77,979	(7,979)
Capital outlay	22,000	12,995	9,005
Total expenditures	380,000	280,900	99,100
Revenue over expenditures	-	313,588	313,588
Revenue and other financing sources over expenditures	\$ -	313,588	\$ 313,588
Fund balances			
Beginning		1,353,596	
Ending		<u>\$ 1,667,184</u>	

Carteret County, North Carolina

Occupancy Tax Fund

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2010

	Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenue			
Other taxes and licenses:			
Occupancy taxes	\$ 4,800,000	\$ 4,242,227	\$ (557,773)
Occupancy taxes, penalties and interest	5,000	4,790	(210)
Interest	5,000	375	(4,625)
Total revenue	4,810,000	4,247,392	(562,608)
Expenditures			
Economic and physical development:			
Tourism:			
Tourism Development Authority	2,376,000	2,087,970	288,030
Total expenditures	2,376,000	2,087,970	288,030
Revenue over expenditures	2,434,000	2,159,422	(274,578)
Other financing uses			
Transfers out	(2,434,000)	(2,140,253)	293,747
Revenue over expenditures and other financing uses	\$ -	19,169	\$ 19,169
Fund balances			
Beginning		35,742	
Ending		\$ 54,911	

Carteret County, North Carolina

2005 CDBG Program

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant	\$ 600,000	\$ 532,583	\$ -	\$ 532,583
Expenditures				
Economic and Physical Development:				
Clearance	48,000	25,948	-	25,948
Relocation	460,000	446,801	-	446,801
Administration	92,000	59,834	-	59,834
	<u>600,000</u>	<u>532,583</u>	<u>-</u>	<u>532,583</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

2006 CDBG SSH Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant 2006	\$ 400,000	\$ 24,727	\$ 282,529	\$ 307,256
Community Development Block Grant 2009	400,000	-	-	-
Total Revenue	800,000	24,727	282,529	307,256
Expenditures				
Economic and Physical Development:				
Clearance 2006	3,000	9,253	6,565	15,818
Relocation 2006	60,000	959	130,552	131,511
Rehabilitation 2006	297,000	14,515	119,557	134,072
Administration 2006	40,000	3,033	22,987	26,020
	400,000	27,760	279,661	307,421
Clearance 2009	15,000	-	-	-
Relocation 2009	195,000	-	-	-
Rehabilitation 2009	150,000	-	-	-
Administration 2009	40,000	-	-	-
	400,000	-	-	-
Total Expenditures	800,000	27,760	279,661	307,421
Revenue over (under) expenditures	\$ -	\$ (3,033)	2,868	\$ (165)
Fund balances (deficit)				
Beginning			<u>(3,033)</u>	
Ending			<u>\$ (165)</u>	

Carteret County, North Carolina

CDBG 2006 Hazardous Mitigation Grant Program

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Hazardous Mitigation Funds	\$ 1,814,368	\$ 448,050	\$ 87,511	\$ 535,561
Expenditures				
Economic and Physical Development:				
Hard Costs	1,537,459	328,000	27,200	355,200
Soft Costs	248,648	116,330	52,321	168,651
Administration	28,261	3,720	7,990	11,710
	<u>1,814,368</u>	<u>448,050</u>	<u>87,511</u>	<u>535,561</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

CDBG 2006 Water Connection Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant 2006	\$ 75,000	\$ 29,111	\$ -	\$ 29,111
Community Development Block Grant 2008	75,000	-	74,780	74,780
Total Revenue	150,000	29,111	74,780	103,891
Expenditures				
Economic and Physical Development:				
Rehabilitation 2006	63,750	23,700	-	23,700
Administration 2006	11,250	5,411	-	5,411
Rehabilitation 2008	63,750	-	61,186	61,186
Administration 2008	11,250	-	13,594	13,594
	150,000	29,111	74,780	103,891
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, 2010

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 712,037	\$ 2,803,060	\$ 704,749
Restricted cash and investments	-	-	77,831
Accounts receivable	-	236,993	-
Total assets	\$ 712,037	\$ 3,040,053	\$ 782,580
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 201,937	\$ 10,691
Due to other funds	-	-	-
Total liabilities	-	201,937	10,691
Fund balances (deficits):			
Unreserved:			
Designated for subsequent year's expenditures	-	841,100	250,000
Undesignated (deficit)	712,037	1,997,016	521,889
Total fund balances (deficits)	712,037	2,838,116	771,889
Total liabilities and fund balances	\$ 712,037	\$ 3,040,053	\$ 782,580

Morehead Elementary School Fund	Beaufort Square and County 911 Fund	2006 School Bond Fund	Totals
\$ 56,498	\$ 40	\$ 172,475	\$ 4,448,859
440,528	2,476	1,803,861	2,324,696
-	-	-	236,993
\$ 497,026	\$ 2,516	\$ 1,976,336	\$ 7,010,548

\$ -	\$ 169,032	\$ 752,066	\$ 1,133,726
-	505,350	-	505,350
-	674,382	752,066	1,639,076

-	-	-	1,091,100
497,026	(671,866)	1,224,270	4,280,372
497,026	(671,866)	1,224,270	5,371,472
\$ 497,026	\$ 2,516	\$ 1,976,336	\$ 7,010,548

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund	Morehead Elementary School Fund
Revenue				
Intergovernmental	\$ -	\$ 236,993	\$ 699	\$ 1,118
Interest	15,972	64,407	15,039	(226)
Total revenue	15,972	301,400	15,738	892
Expenditures				
Capital outlay	-	1,850,148	1,563,042	-
Revenue over (under) expenditures	15,972	(1,548,748)	(1,547,304)	892
Other financing sources (uses)				
Transfers in	-	847,000	990,800	-
Transfers out	-	-	-	-
Proceeds from sale of fixed assets	80,750	-	-	-
Total other financing sources (uses)	80,750	847,000	990,800	-
Revenue and other financing sources over (under) expenditures and other financing uses	96,722	(701,748)	(556,504)	892
Fund balances				
Beginning	615,315	3,539,864	1,328,393	496,134
Ending	\$ 712,037	\$ 2,838,116	\$ 771,889	\$ 497,026

Beaufort Square and County 911 Fund	2006 School Bond Fund	East Carteret High School Building Fund	Carteret Community College Renovation Fund	Totals
\$ -	\$ 146,328	\$ 270	\$ -	\$ 385,408
956	10,418	543	144	107,253
956	156,746	813	144	492,661
1,298,456	8,525,792	5,000	-	13,242,438
(1,297,500)	(8,369,046)	(4,187)	144	(12,749,777)
23,710	436,593	-	-	2,298,103
-	(2,050)	(436,593)	(127,495)	(566,138)
-	-	-	-	80,750
23,710	434,543	(436,593)	(127,495)	1,812,715
(1,273,790)	(7,934,503)	(440,780)	(127,351)	(10,937,062)
601,924	9,158,773	440,780	127,351	16,308,534
\$ (671,866)	\$ 1,224,270	\$ -	\$ -	\$ 5,371,472

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2010

	Budget	Actual	Variance Positive
Revenue			
Interest	\$ -	\$ 15,972	\$ 15,972
Other financing sources			
Sale of land	-	80,750	80,750
Revenue and other financing sources over expenditures	<u>\$ -</u>	<u>96,722</u>	<u>96,722</u>
Fund balances			
Beginning		615,315	
Ending		<u>\$ 712,037</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, 2010

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ -	\$ 236,993	\$ 236,993
Interest	15,000	64,407	49,407
Total revenues	15,000	301,400	286,400
Expenditures			
Capital outlay:			
Aerial Mapping	70,775	70,773	2
Water Access Morehead City Partnership	100,000	100,000	-
Water Access Emerald Isle Partnership	500,000	500,000	-
Western Park Improvements	280,000	12,123	267,877
Newport Park Development	2,504,254	1,145,627	1,358,627
DSS Building Renovation	-	21,625	(21,625)
Capital Improvements	400,000	-	400,000
Total expenditures	3,855,029	1,850,148	2,004,881
Revenues over (under) expenditures	(3,840,029)	(1,548,748)	2,291,281
Other financing sources			
Transfer in from General Fund	847,000	847,000	-
Fund Balance Appropriated	2,993,029	-	(2,993,029)
Total other financing sources	3,840,029	847,000	(2,993,029)
Revenue and other financing sources over (under) expenditures	\$ -	(701,748)	\$ (701,748)
Fund balances			
Beginning		3,539,864	
Ending		<u>\$ 2,838,116</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, 2010

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ 1,000	\$ 699	\$ (301)
Interest	25,000	15,039	(9,961)
Total Revenues	26,000	15,738	(10,262)
Expenditures			
Capital outlay, Board of Education	1,823,445	1,563,042	260,403
Revenues under expenditures	(1,797,445)	(1,547,304)	250,141
Other financing sources			
Transfer from General Fund	990,800	990,800	-
Fund balance appropriated	806,645	-	(806,645)
	1,797,445	990,800	(806,645)
Revenue and other financing sources over (under) expenditures	\$ -	(556,504)	\$ (556,504)
Fund balances			
Beginning		1,328,393	
Ending		\$ 771,889	

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, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ 31,758	\$ 1,118	\$ 32,876
Interest	-	77,016	(226)	76,790
Total revenues	-	108,774	892	109,666
Expenditures				
Capital outlay:				
Building Improvements Morehead	2,000,000	1,612,641	-	1,612,641
Building Improvements Newport	1,781,354	1,781,353	-	1,781,353
Total expenditures	3,781,354	3,393,994	-	3,393,994
Revenue over (under) expenditures	(3,781,354)	(3,285,220)	892	(3,284,328)
Other financing sources				
Long-term debt issued	3,781,354	3,781,354	-	3,781,354
Revenue and other financing sources over expenditures	\$ -	\$ 496,134	892	\$ 497,026
Fund balances				
Beginning			<u>496,134</u>	
Ending			<u>\$ 497,026</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, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ 3,000	\$ -	\$ 3,000
Interest	-	226	956	1,182
Total revenue	-	3,226	956	4,182
Expenditures				
Capital outlay:				
Beaufort Square Project	1,500,000	809,697	672,004	1,481,701
Department of Social Services Improvement 911 Center Project	-	17,911	(17,911)	-
Total expenditures	3,683,710	884,302	1,298,456	2,182,758
Revenue (under) expenditures	(3,683,710)	(881,076)	(1,297,500)	(2,178,576)
Other financing sources				
Transfer from General Fund	1,183,710	-	23,710	23,710
Long-term debt issued	2,500,000	1,483,000	-	1,483,000
	3,683,710	1,483,000	23,710	1,506,710
Revenue and other financing sources over (under) expenditures	\$ -	\$ 601,924	(1,273,790)	\$ (671,866)
Fund balances (deficit)				
Beginning			601,924	
Ending			\$ (671,866)	

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, 2010

	Amended	Actual		
	Project Estimate	Prior Years	Current Year	Total to Date
Revenue				
Interest	\$ 8,550	\$ 2,755,850	\$ 10,418	\$ 2,766,268
Sales Tax Refunds	-	374,818	146,328	521,146
State Bond Proceeds	-	9,195	-	9,195
Total revenue	8,550	3,139,863	156,746	3,296,609
Expenditures				
Current:				
Atlantic Elementary School	774,124	774,123	-	774,123
Beaufort Middle School	2,242,355	2,055,907	186,448	2,242,355
Bogue Sound Elementary School	1,922,038	1,665,186	256,845	1,922,031
Broad Creek Middle School	2,267,911	2,035,660	122,250	2,157,910
Croatan High School	5,591,966	2,657,461	3,043,114	5,700,575
East Carteret High School	6,461,084	2,303,979	1,273,486	3,577,465
Harkers Island School	1,111,455	1,109,985	1,470	1,111,455
Morehead Middle School	1,522,842	1,215,225	307,617	1,522,842
Morehead Primary School	1,140,049	872,934	267,115	1,140,049
Newport Elementary School	4,144,562	4,085,818	58,745	4,144,563
Smyrna Elementary School	1,100,627	1,056,306	(28,431)	1,027,875
West Carteret High School	4,454,018	1,040,391	2,747,716	3,788,107
White Oak Elementary School	6,187,425	6,484,371	188,507	6,672,878
Central Office	214,187	214,187	-	214,187
Transportation Facility	336,488	336,488	-	336,488
Other Construction	336,051	319,895	100,910	420,805
Issuance cost	150,000	140,935	-	140,935
Capital outlay	(2,091,167)	-	-	-
Total expenditures	37,866,015	28,368,851	8,525,792	36,894,643
Revenue under expenditures	(37,857,465)	(25,228,988)	(8,369,046)	(33,598,034)
Other financing sources (uses)				
Transfer from other funds	184,811	-	436,593	436,593
Long-term debt issued	39,575,860	36,100,000	-	36,100,000
Bond premium	438,626	438,267	-	438,267
Transfer to other funds	(2,341,832)	(2,150,506)	(2,050)	(2,152,556)
Total other financing sources (uses)	37,857,465	34,387,761	434,543	34,822,304
Revenue over (under) expenditures and other sources	\$ -	\$ 9,158,773	(7,934,503)	\$ 1,224,270
Fund balances:				
Beginning			9,158,773	
Ending			<u>\$ 1,224,270</u>	

Carteret County, North Carolina

East Carteret High School Building Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ 24,561	\$ 270	\$ 24,831
Interest	-	250,970	543	251,513
Total revenues	-	275,531	813	276,344
Expenditures				
Capital outlay:				
East Carteret High School Building	5,829,518	5,664,056	5,000	5,669,056
Revenue under expenditures	(5,829,518)	(5,388,525)	(4,187)	(5,392,712)
Other financing sources				
Transfers in	1,607,518	1,607,518	-	1,607,518
Long-term debt issued	4,200,000	4,200,000	-	4,200,000
Bond Premium	22,000	21,787	-	21,787
Transfers out	-	-	(436,593)	(436,593)
	5,829,518	5,829,305	(436,593)	5,392,712
Revenue and other financing sources over (under) expenditures	\$ -	\$ 440,780	(440,780)	\$ -
Fund balances				
Beginning			<u>440,780</u>	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

Carteret Community College Renovation Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Interest	\$ -	\$ 59,972	\$ 144	\$ 60,116
Expenditures				
Capital outlay:				
Carteret Community College construction	1,700,000	1,632,621	-	1,632,621
Revenue over (under) expenditures	(1,700,000)	(1,572,649)	144	(1,572,505)
Other financing sources (uses)				
Transfer out	-	-	(127,495)	(127,495)
Long-term debt issued	1,700,000	1,700,000	-	1,700,000
	1,700,000	1,700,000	(127,495)	1,572,505
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 127,351	(127,351)	\$ -
Fund balance				
Beginning			127,351	
Ending			\$ -	

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Enterprise Fund

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenue, Operating			
Charges for services	\$ 503,500	\$ 564,172	\$ 60,672
Total operating revenues	503,500	564,172	60,672
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	212,065	209,848	2,217
Operating expense	159,900	167,409	(7,509)
Contracted services	42,000	39,775	2,225
Total operating expenditures	413,965	417,032	(3,067)
Operating revenue over operating expenditures	89,535	147,140	57,605
Nonoperating Revenue (Expenditures)			
Interest earnings	14,500	15,722	1,222
Capital grant	80,000	-	(80,000)
Revolving loan interest	(78,000)	(77,460)	540
Principal payments	(171,035)	(171,032)	3
Capital outlay	(165,000)	(17,798)	147,202
Total nonoperating revenue (expenditures)	(319,535)	(250,568)	68,967
Revenue over (under) expenditures	(230,000)	(103,428)	126,572
Other Financing Sources (Uses)			
Transfer from the General Fund	205,000	205,000	-
Appropriated Fund Balance	25,000	-	(25,000)
Total other financing sources	230,000	205,000	(25,000)
Revenue and other sources over expenditures	\$ -	\$ 101,572	\$ 101,572
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other financing uses over expenditures		\$ 101,572	
Decrease in debt interest accrued		801	
Decrease in accrued vacation pay		1,349	
Depreciation		(306,090)	
Principal on debt		171,032	
Capital contributions		115,605	
Capital outlay		17,798	
Change in net assets, full accrual basis		\$ 102,067	

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, 2010

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Rural Center Grant	\$ 670,000	\$ -	\$ 115,605	\$ 115,605
USDA Grant	1,515,000	-	-	-
	<u>2,185,000</u>	-	<u>115,605</u>	<u>115,605</u>
Expenditures				
Capital outlay	3,467,000	-	581,872	581,872
Revenue under expenditures	(1,282,000)	-	(466,267)	(466,267)
Other financing sources				
USDA Loan Proceeds	1,046,000	-	-	-
Loan Proceeds	236,000	-	-	-
Total other financing sources	<u>1,282,000</u>	-	-	-
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(466,267)</u>	<u>\$ (466,267)</u>
Fund deficit				
Beginning			-	
Ending			<u>\$ (466,267)</u>	

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Agency Funds

Carteret County, North Carolina

Agency Funds

**Combining Balance Sheet
June 30, 2010**

	Sheriff's Department Fund	Social Services Trust Fund	Motor Vehicle Agency	Totals
Assets				
Cash	<u>\$ 38,885</u>	<u>\$ 31,610</u>	<u>\$ 1,069</u>	<u>\$ 71,564</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 38,885</u>	<u>\$ 31,610</u>	<u>\$ 1,069</u>	<u>\$ 71,564</u>

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Sheriff's Department Fund:				
Assets, cash	\$ 54,625	\$ 292,440	\$ 308,180	\$ 38,885
Liabilities	\$ 54,625	\$ 292,440	\$ 308,180	\$ 38,885
Social Services Trust Fund:				
Assets, cash	\$ 34,998	\$ 156,946	\$ 160,334	\$ 31,610
Liabilities	\$ 34,998	\$ 156,946	\$ 160,334	\$ 31,610
Motor Vehicle Agency:				
Assets, cash	\$ 1,114	\$ 14,989	\$ 15,034	\$ 1,069
Liabilities	\$ 1,114	\$ 14,989	\$ 15,034	\$ 1,069
Totals - All Agency Funds:				
Assets, cash	\$ 90,737	\$ 464,375	\$ 483,548	\$ 71,564
Liabilities:				
Accounts payable and accrued liabilities	\$ 90,737	\$ 464,375	\$ 483,548	\$ 71,564

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source

June 30, 2010

	2010	2009
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	4,960,436	4,950,352
Construction in progress	2,237,753	1,235,642
Buildings	27,229,668	27,229,668
Vehicles	4,331,921	4,184,570
Equipment	4,815,594	4,583,679
Airport facilities	1,524,747	1,524,747
Other improvements	6,580,950	6,580,950
Leasehold improvements	1,481,701	-
Total governmental funds capital assets	\$ 53,332,319	\$ 50,459,157
Investment in governmental funds capital assets		
General Fund	\$ 49,383,086	\$ 47,687,175
Capital Project Funds	3,949,233	2,771,982
Total investment in governmental funds capital assets	\$ 53,332,319	\$ 50,459,157

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity
June 30, 2010

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	1,371,703	7,515,292	191,100	18,230
Other	-	-	-	22,259
Total General Government	1,380,565	7,532,957	277,837	1,779,271
Public Safety:				
Law Enforcement	417,991	8,614,309	1,265,252	542,708
Emergency Services	43,000	16,850	368,265	1,668,596
Total Public Safety	460,991	8,631,159	1,633,517	2,211,304
Transportation	169,549	-	665,105	-
Environmental Protection	153,875	64,308	478,416	304,147
Economic and Physical Development	111,178	-	165,731	97,930
Human Services	303,776	7,248,928	845,640	126,496
Culture and Recreation	2,550,051	3,752,316	265,675	296,446
Total governmental funds capital assets	\$ 5,129,985	\$ 27,229,668	\$ 4,331,921	\$ 4,815,594

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	-	-	11,150,610
-	-	-	-	22,259
-	2,187,229	-	-	13,157,859
-	339,901	-	-	11,180,161
-	-	-	701,057	2,797,768
-	339,901	-	701,057	13,977,929
1,524,747	41,142	-	-	2,400,543
-	-	-	-	1,000,746
-	-	-	-	374,839
-	30,000	-	21,625	8,576,465
-	3,982,678	1,481,701	1,515,071	13,843,938
\$ 1,524,747	\$ 6,580,950	\$ 1,481,701	\$ 2,237,753	\$ 53,332,319

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2010

Function and Activity	Governmental Funds			Transfers	Governmental Funds
	Capital Assets June 30, 2009	Additions	Deductions		Capital Assets June 30, 2010
General Government:					
County administration	\$ 18,880	\$ -	\$ -	\$ -	\$ 18,880
Tax administration	359,082	8,862	-	-	367,944
Register of Deeds	178,429	119,001	-	-	297,430
Elections	505,242	-	-	-	505,242
Information technology	795,494	-	-	-	795,494
Public buildings	11,150,610	-	-	-	11,150,610
Other	22,259	-	-	-	22,259
Total General Government	13,029,996	127,863	-	-	13,157,859
Public Safety:					
Law enforcement	11,054,687	169,408	-	(43,934)	11,180,161
Emergency services	2,155,826	657,358	-	(15,416)	2,797,768
Total Public Safety	13,210,513	826,766	-	(59,350)	13,977,929
Transportation	2,434,864	-	34,321	-	2,400,543
Environmental protection	960,210	49,947	-	(9,411)	1,000,746
Economic and physical development	346,181	15,758	31,748	44,648	374,839
Human services	8,527,385	64,184	17,910	2,806	8,576,465
Culture and recreation	11,950,008	3,943,657	2,071,034	21,307	13,843,938
Total governmental funds capital assets	\$ 50,459,157	\$ 5,028,175	\$ 2,155,013	\$ -	\$ 53,332,319

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, 2010**

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections	Adjustments	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 44,158,178	\$ 42,758,524	\$ (102,993)	\$ 1,296,661
2008-2009	1,279,654	-	708,039	(62,694)	508,921
2007-2008	375,480	-	83,606	(89,249)	202,625
2006-2007	223,317	-	83,274	22,552	162,595
2005-2006	151,078	-	58,069	21,047	114,056
2004-2005	71,451	-	40,017	14,708	46,142
2003-2004	56,406	-	25,525	8,225	39,106
2002-2003	41,076	-	6,825	(227)	34,024
2001-2002	33,825	-	5,156	(422)	28,247
2000-2001	26,248	-	2,610	(232)	23,406
1999-2000	34,087	-	3,236	(30,220)	631
	<u>\$ 2,292,622</u>	<u>\$ 44,158,178</u>	<u>\$ 43,774,881</u>	<u>\$ (219,505)</u>	<u>2,456,414</u>
Less write-off 1999-2000 tax year					<u>(631)</u>
					<u>2,455,783</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>444,810</u>
Net property taxes receivable - General Fund					<u><u>\$ 2,010,973</u></u>
Reconciliation with revenue: Ad valorem taxes- General Fund					<u><u>\$ 43,774,881</u></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2010

	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	\$ 19,006,883,478	0.23	\$ 43,715,832	\$ 42,953,535	\$ 762,297
Motor vehicles taxes at prior year's rate	192,324,348	0.23	442,346	-	442,346
Total	19,199,207,826		44,158,178	42,953,535	1,204,643
Discoveries:					
Current year taxes	17,784,783		40,905	36,936	3,969
Corrections	11,526,957		26,512	34,640	(8,128)
Total	29,311,740		67,417	71,576	(4,159)
Abatements	(74,091,304)		(170,410)	(140,486)	(29,924)
Total property valuation	\$ 19,154,428,262				
Net levy-General Fund			44,055,185	42,884,625	1,170,560
Uncollected taxes at June 30, 2010 - General Fund			1,296,661	1,146,455	150,206
Current year's taxes collected - General Fund			\$ 42,758,524	\$ 41,738,170	\$ 1,020,354
Current levy collection percentage - General Fund			97.06%	97.33%	87.17%

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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.

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Financial Trends	148
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity	160
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These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity	170
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information	175
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information	178
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information included in these schedules and charts is derived for the comprehensive annual reports ("CAFR") for GASB 34 in the fiscal year ending June 30, 2010 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 Eight Fiscal Years
(accrual basis of accounting)**

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

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

Schedule 1

Fiscal Year				
2006	2007	2008	2009	2010
\$ 23,399,525	\$ 22,287,747	\$ 21,792,965	\$ 22,484,382	\$ 24,050,669
4,154,799	7,127,547	10,233,675	13,043,008	15,431,921
(13,945,342)	(12,037,832)	(24,226,402)	(28,471,360)	(32,695,396)
\$ 13,608,982	\$ 17,377,462	\$ 7,800,238	\$ 7,056,030	\$ 6,787,194
\$ 3,630,795	\$ 3,665,231	\$ 3,557,690	\$ 3,634,160	\$ 4,098,772
192,739	392,417	548,951	553,518	190,973
\$ 3,823,534	\$ 4,057,648	\$ 4,106,641	\$ 4,187,678	\$ 4,289,745
\$ 27,030,320	\$ 25,952,978	\$ 25,350,655	\$ 26,118,542	\$ 28,149,441
4,154,799	7,127,547	10,233,675	13,043,008	15,431,921
(13,752,603)	(11,645,415)	(23,677,451)	(27,917,842)	(32,504,423)
\$ 17,432,516	\$ 21,435,110	\$ 11,906,879	\$ 11,243,708	\$ 11,076,939

Carteret County, North Carolina

**Changes in Net Assets,
Last Eight 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
\$ 4,996,540	\$ 6,133,328	\$ 6,254,064	\$ 6,558,268	\$ 6,369,989
13,459,003	14,263,740	16,381,281	16,599,129	16,919,404
710,225	979,342	892,718	858,784	907,113
5,571,720	5,543,270	4,848,724	5,207,919	4,469,445
3,362,113	2,916,754	2,914,590	3,105,363	3,130,735
14,971,013	15,939,574	16,656,957	16,302,247	15,071,578
2,910,221	2,990,410	3,355,687	3,182,526	4,198,808
21,224,743	30,048,298	47,189,262	35,465,104	31,982,375
2,281,034	2,934,102	3,690,063	3,493,485	3,197,911
69,486,612	81,748,818	102,183,346	90,772,825	86,247,358
607,483	728,319	813,171	934,919	798,432
\$ 70,094,095	\$ 82,477,137	\$ 102,996,517	\$ 91,707,744	\$ 87,045,790

Carteret County, North Carolina

**Changes in Net Assets,
Last Eight 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	
\$ 3,328,301	\$ 2,136,825	\$ 1,917,552	\$ 1,561,770	\$ 1,477,628	
227,728	197,975	232,885	174,213	162,804	
86,527	93,686	86,039	95,664	125,360	
832,350	909,245	650,171	414,507	435,466	
2,136,283	2,209,037	2,229,849	2,247,269	2,243,091	
557,621	616,532	564,816	415,474	382,602	
238,638	287,314	222,019	203,376	213,789	
-	-	-	-	-	
234,518	375,440	52,670	68,319	38,218	
795,183	414,350	736,971	1,408,259	1,264,069	
268,667	377,847	315,952	389,394	403,443	
256,175	1,394,075	82,939	848,310	665,788	
573,220	-	342,511	16,114	22,176	
6,975,699	7,595,165	8,637,735	8,402,963	8,494,321	
-	1,680	1,165	-	7,365	
506,611	160,871	290,335	136,401	148,415	
-	850,000	850,000	1,377,380	700,000	
191,221	-	-	-	-	
143,313	-	63,694	-	-	
508,607	-	-	158,668	-	
-	-	-	-	-	
48,641	-	-	1,134,485	236,993	
-	-	-	387,070	-	
17,909,303	17,620,042	17,277,303	19,439,636	17,021,528	

Carteret County, North Carolina

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

Carteret County, North Carolina

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

	Fiscal Year			
	2001	2002	2003	2004
General Fund				
Reserved for:				
State statute	\$ 3,943,495	\$ 4,029,812	\$ 3,597,460	\$ 4,559,818
Prepaid items	-	-	-	-
Sheriff's fund	82,081	53,256	37,620	35,085
Debt Service	1,079,234	1,090,339	107,643	-
Recreation districts	51,368	56,317	58,047	61,462
Health programs	450,339	546,735	572,992	863,342
Register of deeds	-	32,248	132,889	167,528
Beach nourishment	-	319,080	502,684	890,063
Total reserve	5,606,517	6,127,787	5,009,335	6,577,298
Unreserved:				
Designated for subsequent year's expenditures	373,393	150,000	659,590	694,536
Undesignated	6,196,087	7,731,989	9,809,415	12,054,667
Total General Fund	\$ 12,175,997	\$ 14,009,776	\$ 15,478,340	\$ 19,326,501
All Other Governmental Funds				
Reserved for:				
State statute	\$ 323,989	\$ 1,472,683	\$ 952,829	\$ 1,015,324
E911 wireless	-	-	-	-
Special districts	-	-	-	-
	323,989	1,472,683	952,829	1,015,324
Unreserved:				
Designated for subsequent year's expenditures	3,703,525	2,225,540	11,696,201	3,142,539
Undesignated special revenue funds	129,219	(604,463)	(551,173)	(672,314)
Undesignated capital projects funds	2,745,706	1,314,414	1,397,660	1,681,975
Total all other governmental funds	\$ 6,902,439	\$ 4,408,174	\$ 13,495,517	\$ 5,167,524

Schedule 3

2005	2006	2007	2008	2009	2010
\$ 5,407,652	\$ 5,245,544	\$ 5,441,376	\$ 6,058,268	\$ 6,537,961	\$ 5,668,864
-	-	-	92,056	-	-
49,755	24,161	39,116	61,376	120,361	84,052
-	-	-	-	-	-
62,739	55,053	88,593	88,665	89,129	89,129
934,948	1,081,508	1,177,309	1,135,530	973,892	907,160
113,478	190,045	251,440	293,368	325,898	274,802
1,340,869	2,040,923	4,023,290	5,996,954	7,665,277	9,550,285
7,909,441	8,637,234	11,021,124	13,726,217	15,712,518	16,574,292
1,230,000	825,000	155,000	720,000	-	307,505
14,115,874	18,814,243	21,917,920	23,152,988	23,791,470	25,445,763
\$ 23,255,315	\$ 28,276,477	\$ 33,094,044	\$ 37,599,205	\$ 39,503,988	\$ 42,327,560
\$ 1,301,271	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	741,702	-	-	-
-	-	410,542	1,147,999	1,809,004	2,430,758
1,301,271	-	1,152,244	1,147,999	1,809,004	2,430,758
310,643	22,877,167	36,035,398	19,382,507	12,882,665	1,906,995
(740,779)	614,664	371,947	1,006,822	1,405,876	948,533
1,883,349	1,418,615	3,650,440	4,891,288	3,473,937	4,280,372
\$ 2,754,484	\$ 24,910,446	\$ 41,210,029	\$ 26,428,616	\$ 19,571,482	\$ 9,566,658

Carteret County, North Carolina

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

	2001	2002	2003	2004
Revenue				
Taxes:				
Property	\$ 30,819,589	\$ 34,552,936	\$ 34,856,263	\$ 36,273,316
Sales and other taxes	14,023,012	15,059,252	15,582,901	17,090,746
Total taxes	44,842,601	49,612,188	50,439,164	53,364,062
Permits and fees	1,423,786	1,602,838	2,111,540	2,618,847
Intergovernmental(1)	9,172,131	12,036,121	8,436,038	11,673,902
Sales and services	1,285,166	1,567,251	1,784,053	1,862,663
Interest	1,542,038	492,001	481,721	266,890
Miscellaneous	132,050	175,399	308,426	223,359
Total revenue	58,397,772	65,485,798	63,560,942	70,009,723
Expenditures				
General government	3,646,451	3,290,839	3,331,803	3,438,530
Public safety	8,734,138	9,500,776	10,528,723	11,294,641
Transportation(1)	482,394	437,185	452,826	579,790
Environmental protection	3,303,036	4,043,058	2,434,842	2,958,295
Economic development(1)	2,674,871	2,611,691	3,989,727	4,238,767
Human services	13,179,127	13,261,242	13,551,316	13,719,420
Culture and recreation	2,320,777	1,988,228	2,029,285	2,007,580
Education	19,679,070	19,570,613	17,738,085	17,976,423
Capital outlay	11,798,882	8,342,872	7,535,298	12,112,063
Debt service:				
Principal	4,113,160	3,511,418	8,558,910	4,706,571
Interest	2,883,365	2,588,362	3,020,159	2,659,162
Total expenditures	72,815,271	69,146,284	73,170,974	75,691,242
Excess of revenues over (under) expenditures	(14,417,499)	(3,660,486)	(9,610,032)	(5,681,519)
Other financing sources (uses):				
Transfers in	3,720,807	3,392,905	1,712,779	3,415,367
Transfers out	(3,720,807)	(3,392,905)	(1,760,779)	(3,485,367)
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	2,180,000	3,000,000	-	-
Total other financing sources (uses)	2,180,000	3,000,000	20,200,383	66,265
Net change in fund balances	\$ (12,237,499)	\$ (660,486)	\$ 10,590,351	\$ (5,615,254)
Debt service as a percentage of noncapital expenditures	11.47%	10.03%	17.64%	11.59%

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

	2005	2006	2007	2008	2009	2010
\$	37,171,758	\$ 38,995,144	\$ 42,487,337	\$ 48,720,636	\$ 49,678,930	\$ 50,200,352
	18,828,672	21,034,001	22,071,528	22,947,844	18,753,280	16,676,134
	56,000,430	60,029,145	64,558,865	71,668,480	68,432,210	66,876,486
	3,093,945	4,164,371	3,633,685	3,079,055	2,484,066	2,355,405
	11,337,622	10,666,809	11,567,346	12,039,656	14,544,225	12,341,283
	1,742,529	2,589,990	2,566,066	2,650,004	2,605,889	2,681,926
	612,987	1,302,510	3,196,255	3,310,752	1,593,849	790,705
	379,277	698,189	350,904	267,994	149,586	156,290
	73,166,790	79,451,014	85,873,121	93,015,941	89,809,825	85,202,095
	4,190,354	4,898,195	5,312,246	5,745,169	5,821,968	5,852,801
	12,472,725	13,422,324	13,947,141	16,132,558	16,424,222	16,291,686
	493,593	736,491	847,387	858,646	941,321	781,852
	2,744,907	3,404,122	2,891,843	2,900,884	3,070,121	3,104,110
	4,815,319	5,585,495	4,334,443	4,959,166	5,189,267	4,441,078
	14,094,168	14,659,109	15,696,967	16,391,072	15,774,335	14,618,041
	2,240,196	2,548,009	2,737,147	3,013,274	2,685,231	2,632,473
	18,699,023	18,870,730	20,196,594	21,556,439	22,851,145	21,888,541
	5,161,345	3,836,951	11,289,414	26,052,502	15,564,833	13,242,438
	4,316,572	4,175,000	4,785,000	5,922,857	13,243,078	6,217,427
	2,352,193	2,161,065	2,954,302	3,568,542	4,077,579	3,188,650
	71,580,395	74,297,491	84,992,484	107,101,109	105,643,100	92,259,097
	1,586,395	5,153,523	880,637	(14,085,168)	(15,833,275)	(7,057,002)
	2,539,943	4,477,917	6,502,225	9,407,194	4,652,822	4,567,901
	(2,610,564)	(4,688,857)	(6,791,225)	(9,408,499)	(4,910,822)	(4,772,901)
	-	-	-	-	-	80,750
	-	365,126	94,928	-	-	-
	-	22,000,000	20,300,000	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	3,810,221	11,138,924	-
	(70,621)	22,154,186	20,105,928	3,808,916	10,880,924	(124,250)
\$	1,515,774	\$ 27,307,709	\$ 20,986,565	\$ (10,276,252)	\$ (4,952,351)	\$ (7,181,252)
	10.04%	8.99%	10.50%	11.71%	19.23%	11.77%

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)	
2001 ⁽⁵⁾	\$ 4,914,232,566	\$ -	\$ -	\$ 37,249,571	\$ 4,951,482,137
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 ⁽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

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)
\$ 692,891,457	\$ 97,049,097	\$ 5,741,422,691	0.44	\$ 7,441,895,905
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

Carteret County, North Carolina

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

	2001	2002	2003	2004
Municipalities				
Carteret County	0.5100	0.4400	0.4200	0.4200
Atlantic Beach	0.2900	0.2100	0.2300	0.2300
Beaufort	0.3850	0.3400	0.3600	0.3600
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2600	0.2300	0.2300	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1950	0.1750	0.1850	0.1750
Indian Beach	0.1700	0.1600	0.1600	0.1600
Morehead City	0.4000	0.3800	0.3800	0.3800
Newport	0.4500	0.4300	0.4300	0.4300
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1600	0.1600	0.1700	0.1800
Fire Districts				
Atlantic	0.0500	0.0400	0.0550	0.0650
Atlantic Beach ¹	0.1000	0.1000	-	-
Beaufort	0.0600	0.0500	0.0600	0.0600
Broad & Gales Creek	0.0400	0.0350	0.0400	0.0400
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0600	0.0600	0.0600	0.0600
Harlowe	0.0550	0.0550	0.0550	0.0550
Marshallberg	0.0700	0.0600	0.0700	0.0700
Mill Creek	0.0700	0.0550	0.0550	0.0550
Mitchell Village	0.0800	0.0800	0.0800	0.0800
Newport	0.0600	0.0550	0.0700	0.0800
North River	0.0900	0.0700	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	0.0550	0.0700	0.0700	0.0700
Wildwood	0.0600	0.0500	0.0800	0.0750

(Continued)

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2005	2006	2007	2008	2009	2010
0.4200	0.4200	0.4400	0.2300	0.2300	0.2300
0.2300	0.2300	0.2600	0.1500	0.1250	0.1250
0.3800	0.3800	0.3800	0.1900	0.2200	0.2200
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.2300	0.2300	0.2300	0.1550	0.1550	0.1400
0.0500	0.0500	0.0500	0.0500	0.0500	0.0550
0.1650	0.1550	0.1550	0.0670	0.0700	0.0700
0.0900	0.1000	0.1000	0.0600	0.1100	0.1400
0.3800	0.3800	0.3800	0.2200	0.2200	0.2200
0.4300	0.4300	0.4000	0.2700	0.2900	0.3100
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.1800	0.1800	0.1800	0.0800	0.1150	0.1150
0.0650	0.0650	0.0650	0.0700	0.0700	0.0700
-	-	-	-	-	-
0.0600	0.0700	0.0550	0.0300	0.0350	0.0350
0.0400	0.0400	0.0550	0.0450	0.0450	0.0450
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.0850	0.0900	0.0900
0.0600	0.0600	0.0600	0.0400	0.0400	0.0400
0.0550	0.0550	0.0550	0.0450	0.0450	0.0450
0.0700	0.0700	0.0700	0.0850	0.0850	0.0850
0.0550	0.0550	0.0550	0.0450	0.0450	0.0450
0.0800	0.0800	0.0800	0.0900	0.0750	0.0750
0.0800	0.0800	0.0800	0.0400	0.0700	0.0700
0.0750	0.0750	0.0750	0.0450	0.0450	0.0450
0.0400	0.0400	0.0400	0.0250	0.0500	0.0500
0.0500	0.0600	0.0700	0.0300	0.0300	0.0300
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0700	0.0700	0.0700	0.0550	0.0350	0.0350
0.0800	0.0800	0.0800	0.0600	0.0700	0.0700
0.0500	0.0500	0.0500	0.0250	0.0200	0.0200
0.0700	0.0700	0.0700	0.0400	0.0400	0.0400
0.0950	0.0950	0.0950	0.0450	0.0600	0.0600

Carteret County, North Carolina

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

	2001	2002	2003	2004
Rescue Districts				
Beaufort	0.0450	0.0400	0.0550	0.0550
Broad & Gales Creek	0.0200	0.0200	0.0350	0.0450
Mill Creek	0.0100	0.0100	0.0200	0.0200
Mitchell Village	0.0400	0.0400	0.0400	0.0400
Otway	0.0600	0.0450	0.0550	0.0550
Sea Level	0.1000	0.1375	0.1675	0.1675
Western Carteret	0.0500	0.0500	0.0500	0.0500
Beach Nourishment Districts				
Salter Path ²			0.4300	0.4300
Indian Beach Non Ocean Front ²			0.0500	0.0500
Indian Beach Ocean Front ²			0.4800	0.4800
Emerald Isle Non Ocean Front ²			0.0300	0.0300
Emerald Isle Ocean Front ²			0.4800	0.4800
Pine Knoll Shores Ocean Front ³				0.4200
Pine Knoll Shores Non Ocean Front ³				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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2005	2006	2007	2008	2009	2010
0.0550	0.0550	0.0600	0.0250	0.0400	0.0400
0.0550	0.0750	0.0750	0.0350	0.0350	0.0350
0.0200	0.0200	0.0200	0.0450	0.0450	0.0450
0.0400	0.0400	0.0400	0.0250	0.0400	0.0400
0.0550	0.0550	0.0550	0.0300	0.0300	0.0300
0.1675	0.1675	0.1675	0.1200	0.1200	0.1200
0.0550	0.0500	0.0500	0.0300	0.0300	0.0300
0.4300	0.4300	0.4300	-	-	-
0.0200	0.0200	0.0200	0.0200	0.0100	0.0100
0.2200	0.2200	0.3200	0.0100	0.0100	0.0100
0.0300	0.0300	0.1850	0.0110	0.0110	0.0110
0.4800	0.4800	0.6350	0.1620	0.1620	0.1620
0.4200	0.0600	0.6000	0.0264	0.0160	0.0160
0.0600	0.2000	0.2400	0.1727	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 2010			Fiscal Year 2001		
		Assessed Valuation	Rank	Percent of Total	Assessed Valuation	Rank	Percent of Total
				Assessed Valuation			Assessed Valuation
Bogue Watch LLC	Real Estate	\$ 88,448,474	1	0.462%	\$ -	-	-
Carteret Craven Electric	Utility	52,754,965	2	0.275%	31,243,108	1	0.56%
Open Grounds Farm, Inc.	Farm	52,426,378	3	0.274%	24,320,340	4	0.43%
Progress Energy	Utility	45,403,852	4	0.237%	-	-	-
Goose Creek Landing HOA	Real Estate	33,632,383	5	0.176%	-	-	-
Shearin Family Investment LLC	Real Estate	33,539,070	6	0.175%	-	-	-
Carolina Telephone	Utility	32,171,808	7	0.168%	29,873,863	2	0.53%
Indian Beach Acquisition LLC	Real Estate	30,623,378	8	0.160%	-	-	0.49%
Atlantic Veneer Corp	Manufacturing	27,316,074	9	0.143%	16,526,454	5	0.30%
ITAC 192 LLC	Real Estate	22,143,074	10	0.116%	-	-	-
Carolina Power & Light Co.	Utility	-	-	-	24,388,251	3	0.44%
Atlantic Beach Hotel Limited	Hotel	-	-	-	14,523,497	6	0.26%
Weyerhaeuser Company	Forestry	-	-	-	13,917,749	7	0.25%
Glimcher Properties LTD	Real Estate	-	-	-	11,955,932	8	0.22%
Dawcutt Hospitality LLC	Real Estate	-	-	-	10,109,886	9	0.18%
Southstar Holdings MHC LLC	Retail	-	-	-	9,460,122	10	0.17%
		\$ 418,459,456		1.449%	\$ 186,319,202		3.830%

Source: Carteret County Tax Department

Carteret County, North Carolina

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Collected Within the Fiscal Year of the Levy		
			Total Tax Lew (1)(2)	Amount	Percentage of Levy
2001	\$ 28,807,745	\$ (33,876)	\$ 28,773,869	\$ 27,734,112	96.39%
2002	31,479,493	239,886	31,719,329	30,443,658	95.98%
2003	30,956,268	14,728	30,970,996	29,898,714	96.54%
2004	32,194,055	(53,507)	32,140,548	31,217,821	97.13%
2005	33,055,434	(18,386)	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%

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
\$	1,016,119	\$ 28,750,231	99.92%
	1,247,002	31,690,660	99.91%
	1,038,031	30,936,745	99.89%
	891,846	32,109,667	99.90%
	949,739	33,005,614	99.90%
	786,460	34,304,158	99.73%
	835,078	37,744,535	99.63%
	723,499	42,964,229	99.33%
	708,039	43,194,684	98.69%
	-	42,758,524	97.06%

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

Fiscal Year	Governmental Activities			Business Activity		Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	General Obligation Bonds	Certificates of Participation	Installment Loans	Installment Loans				
2001	\$ 26,850,000	\$ 18,070,000	\$ 2,328,471	\$ -	\$ 47,248,471	\$ 767	2.93%	
2002	25,150,000	16,625,000	4,962,053	-	46,737,053	750	2.89%	
2003	31,050,000	24,285,000	3,073,143	467,612	58,875,755	970	3.49%	
2004	29,695,000	22,240,000	2,516,572	589,608	55,041,180	909	3.05%	
2005	27,650,000	20,545,000	2,100,000	2,980,303	53,275,303	872	2.74%	
2006	47,605,000	18,715,000	1,800,000	3,328,720	71,448,720	1,138	3.52%	
2007	63,220,000	16,915,000	3,500,000	3,156,512	86,791,512	1,367	4.01%	
2008	59,550,000	15,605,000	6,367,364	2,985,480	84,507,844	1,335	3.52%	
2009	55,920,000	7,045,000	16,453,210	2,814,448	82,232,658	1,294	*	
2010	52,330,000	5,735,000	15,135,783	2,643,416	75,844,199	1,183	*	

* 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 year 2009 and 2010.

**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
2001	\$ 26,850,000	\$ 5,644,373,594	0.46%	1.67%	61,600	\$ 435.88
2002	25,150,000	7,185,163,146	0.35%	1.55%	62,326	403.52
2003	31,050,000	7,366,410,909	0.42%	1.84%	60,712	511.43
2004	29,695,000	7,652,511,338	0.39%	1.65%	60,574	490.23
2005	27,650,000	7,865,963,810	0.35%	1.42%	61,122	452.37
2006	47,605,000	8,189,801,676	0.58%	2.35%	62,760	758.52
2007	63,220,000	8,619,249,952	0.73%	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%	*	63,535	880.14
2010	52,330,000	19,154,428,262	0.27%	*	64,107	816.29

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 year 2009 and 2010

Carteret County, North Carolina

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

	2001	2002	2003	2004
Assessed values of property	\$ 5,644,373,594	\$ 7,185,163,146	\$ 7,366,410,909	\$ 7,652,511,388
Debt limit 8% of assessed value	451,549,888	574,813,052	589,312,873	612,200,911
Gross debt:				
Total bonded debt	44,920,000	41,775,000	55,335,000	52,095,000
Installment debt	2,328,471	4,962,053	3,073,143	2,516,572
Authorized unissued bonded debt	7,600,000	7,600,000	-	-
Total amount of debt applicable to debt limit	54,848,471	54,337,053	58,408,143	54,611,572
Legal debt margin	\$ 396,701,417	\$ 520,475,999	\$ 530,904,730	\$ 557,589,339
Total net debt applicable to the limit as a percentage of debt limit	12.15%	9.45%	9.91%	8.92%

Schedule 11

2005	2006	2007	2008	2009	2010
\$ 7,865,963,810	\$ 8,189,801,676	\$ 8,619,249,952	\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262
629,277,105	655,184,134	689,539,996	1,489,639,094	1,522,306,052	1,532,354,261
48,195,000	66,320,000	80,135,000	75,155,000	62,965,000	58,065,000
2,100,000	1,800,000	3,500,000	6,367,364	16,453,210	15,135,783
-	28,010,000	9,710,000	9,710,000	9,710,000	9,710,000
50,295,000	96,130,000	93,345,000	91,232,364	89,128,210	82,910,783
\$ 578,982,105	\$ 559,054,134	\$ 596,194,996	\$ 1,398,406,730	\$ 1,433,177,842	\$ 1,449,443,478
7.99%	14.67%	13.54%	6.12%	5.85%	5.41%

Computation of Direct and Underlying Debt

General Obligation Bonds

June 30, 2010

	Outstanding	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County	\$ 58,065,000	100.00%	\$ 58,065,000
Underlying			
Town of Beaufort	18,269,467	100.00%	18,269,467
Town of Emerald Isle	5,940,000	100.00%	5,940,000
Town of Newport	2,700,000	100.00%	2,700,000
Town of Pine Knoll Shores	5,632,022	100.00%	5,632,022
	<u>\$ 90,606,489</u>		<u>\$ 90,606,489</u>

**Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2001	61,600	\$ 1,611,284	\$ 24,059	3.10%	8,271
2002	62,326	1,618,781	26,090	4.98%	8,177
2003	60,712	1,685,144	27,619	5.30%	8,163
2004	60,574	1,820,000	29,317	4.66%	8,259
2005	61,112	1,946,000	30,961	4.59%	8,237
2006	62,760	2,029,585	32,086	4.22%	8,425
2007	63,511	2,162,444	34,241	4.02%	8,297
2008	63,294	2,401,852	37,796	4.74%	8,297
2009	63,535	*	*	7.42%	8,294
2010	64,107	*	*	8.39%	8,273

Data Sources:

(1) North Carolina Office of State Planning

(2) Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

(3) North Carolina Employment Security Commission

(4) Carteret County Board of Education

* Information Unavailable

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,115	1	3.46%	1,244	1	4.36%
Carteret General Hospital	1,060	2	3.29%	777	2	2.72%
NC Dept. Transportation (includes Ferries)	494	3	1.53%	-	-	-
Carteret County	478	4	1.48%	346	4	1.21%
Wal-Mart	420	5	1.30%	320	7	1.12%
NC Natural Resources & Community Development	346	6	1.07%	-	-	-
US Coast Guard	273	7	0.85%	326	6	1.14%
Lowes	268	8	0.83%	-	-	-
Lowes Foods	205	9	0.64%	-	-	-
Food Lion	195	10	0.61%	370	3	1.30%
Atlantic Veneer	-	-	-	330	5	1.16%
Henry's Tackle & Sporting Goods	-	-	-	320	8	1.12%
Carteret Community College	-	-	-	263	9	0.92%
Bally Refrigerated Boxes	-	-	-	212	10	0.74%

Source: Carteret County Economic Development Council

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Carteret County, North Carolina

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

Function/Program	Full-Time Equivalent				
	2001	2002	2003	2004	2005
General government	51.00	51.00	48.00	49.00	47.00
Public safety	90.00	98.00	98.75	98.75	100.75
Transportation	1.00	2.00	2.00	2.00	2.00
Economic and physical development	25.00	24.00	21.00	14.00	15.00
Environmental protection	10.00	9.00	8.00	8.80	9.80
Human Services	153.00	153.95	153.60	153.25	156.25
Cultural and recreation	20.00	20.40	19.40	20.00	20.00
Water/Sewer (Business activity)	-	-	2.20	2.20	2.20
Total	350.00	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
61.30	63.60	66.10	66.10	66.40
102.75	106.00	114.00	119.00	114.30
2.00	2.00	2.00	2.00	2.00
17.00	17.00	19.50	18.50	17.00
9.80	8.00	6.00	6.00	7.00
154.15	162.60	167.80	171.80	169.58
21.00	21.00	22.00	22.00	20.92
3.70	4.40	4.40	4.40	4.40
371.70	384.60	401.80	409.80	401.60

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

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

Sources: Various government departments.

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

Carteret County, North Carolina

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

Function	2001	2002	2003	2004
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
Maximum daily capacity	-	-	-	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					
2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
20	20	24	24	24	24
12	12	12	12	12	12
148	148	148	159	159	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
26	48	48	48	48	48
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, 2010, which collectively comprises Carteret County's basic financial statements, and have issued our report thereon dated October 29, 2010. 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

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

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

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

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 October 29, 2010.

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 the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 29, 2010

**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, 2010. 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, 2010.

Internal Control Over Compliance

Management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carteret County's internal control over compliance with 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, pass-through entities, and the North Carolina Department of the State Treasurer and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 29, 2010

**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, 2010. Carteret County's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State 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 its major State program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Carteret County's internal control over compliance with 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, pass-through entities, and the North Carolina Department of the State Treasurer and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 29, 2010

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

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
State Admin. Matching Grants for the Supplemental Nutrition Assistance Program	10.561
ARRA - State Admin. Matching Grants for the Supplemental Nutrition Assistance Program	10.561
ARRA Subsidized Child Care	93.575/93.596
	93.667/93.558
Low-Income Home Energy Assistance	93.568

Federal program that did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520 but was tested as a major program because the N.C. Office of the State Auditor specifically requested to be audited as major is included in the list of major federal programs (Low-Income Home Energy Assistance program).

Dollar threshold used to distinguish between type A and type B programs:	<u>\$1,644,121</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, 2010**

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

State Awards

Internal control over major State programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	<u> </u> Yes	<u> X </u> No
---	-----------------------	-------------------------

Identification of major State programs:

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

II. Financial Statement Findings

None reported.

(Continued)

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010**

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, 2010**

No corrective action plan is required for the current year.

Carteret County, North Carolina

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010**

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, 2010**

	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					
Soil and water conservation					
	10.550		\$ 22,176	\$ -	\$ 28,634
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women, Infants and Children					
	10.557		240,351	-	25,646
Benefit Payments - noncash					
	10.557		906,006	-	-
			<u>1,146,357</u>	<u>-</u>	<u>25,646</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp Supplemental Nutrition Assistance Program Cluster:					
Food & Nutrition SVCS Recovery					
	10.561		65,012	-	-
ARRA Food Stamp Admin					
	10-561		8,290	-	-
Food Stamp Admin					
	10.561		336,225	-	328,221
Food Stamp E&T & Depend Care					
	10.561		50	-	50
Food Stamp Fraud Admin					
	10.561		30,473	-	30,473
Total Supplemental Nutrition Assist. Program Cluster:			<u>440,050</u>	<u>-</u>	<u>358,744</u>
Emergency Food Assistance Program (TEFAP) Cluster:					
TEFAP Administrative					
	10.568		2,527	-	-
TEFAP Commodities					
	10.569		67,481	-	-
Total Emergency Food Assistance Cluster			<u>70,008</u>	<u>-</u>	<u>-</u>
Total US Department of Agriculture			<u>1,678,591</u>	<u>-</u>	<u>413,024</u>
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid					
	11.419		4,505	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools					
	15.225		68,681	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Transportation:					
Passed through NC Department of Transportation: Administered by County CCATS Department: Rural Operating Assistance Including Elderly and Disabled: Administration Grant	20.509		\$ 179,861	\$ 10,733	\$ 33,634
US Department of Justice					
Bureau of Justice Assistance					
Passed through NC Department of Crime Control and Public Safety Administered by County Rape Crisis Sexual Assault Program	16.588		36,455	-	5,130
Administered by Carteret County Boys and Girls Club ARRA Gang Prevention Grant	16.803		11,250	-	-
Total US Department of Justice			47,705	-	5,130
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		5,847	344	688
HCCBG In-Home Support Services	93.044		153,047	9,003	18,006
HCCBG - Access	93.044		29,211	1,718	3,437
ARRA HCCBG Congregate Meals	93.707		17,448	1,026	2,053
HCCBG Congregate Meals	93.045		74,418	4,378	8,755
ARRA HCCBG Home Delivered Meals	93.705		8,587	505	1,010
HCCBG Home Delivered Meals	93.045		9,361	551	1,101
HCCBG In-Home Support Services	93.667		66,115	1,889	7,556
Total Aging Cluster			364,034	19,414	42,606
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		11,596	-	-
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		323,477	(134)	-
Work First Administration	93.558		179,583	-	108,028
TANF Domestic Violence	93.558		9,385	-	-
WR FUNCT ASSESS	93.558		650	-	-
Work First Service	93.558		689,195	-	557,601
Work First Benefits	93.558		10,492	-	-
Total TANF Cluster			1,212,782	(134)	665,629
Family Preservation	93.556		1,842	-	-
AFDC Payments	93.560		(1,936)	(531)	(531)

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

	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:					
Low Income Home Energy Assistance:					
Benefit payments	93.568		\$ 316,089	\$ -	\$ -
Administration	93.568		40,428	-	-
Crisis Intervention payments	93.568		212,069	-	-
			<u>568,586</u>	<u>-</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Subsidized Child Care					
Division of Social Services					
Child Care Development Fund-Administration	93.596		106,220	-	-
Division of Child Development					
ARRA Child Care & Development Fund - Discretionary	93.575		155,851	-	-
Child Care & Development Fund-Discretionary	93.575		682,555	-	-
Child Care & Development Fund-Mandatory	93.596		282,122	-	-
Child Care & Development Fund-Match	93.596		140,058	75,269	-
Total Child Care Development Fund Cluster			<u>1,366,806</u>	<u>75,269</u>	<u>-</u>
Social Services Block Grant	93.667		23,600	-	-
Temporary Assistance for Needy Families	93.558		267,328	-	-
State Appropriations			-	175,996	-
TANF- MOE			-	183,399	-
Total Subsidized Child Care			<u>1,657,734</u>	<u>434,664</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Child Welfare Services:					
Permanency Planning:					
Regular	93.645		14,583	4,920	-
Special	93.645		4,014	-	1,338
			<u>18,597</u>	<u>4,920</u>	<u>1,338</u>
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		46,685	19,697	26,988
IV-E Optional Adopt TRN 50%	93.659		38,563	-	38,563
IV-E Family Foster Care MAX	93.658		2,161	-	874
ARRA Foster Care	93.658		7,642	-	-
Foster Care in excess	93.658		13,222	2,698	2,698
Foster Care payments	93.658		84,186	18,578	18,577
IV-E Max Level III	93.658		6,140	-	2,489
IV-E Foster Care/OFF TRN	93.658		141,950	-	141,950
IV-E Foster Care TRN	93.658		5,844	-	1,948
IV-E Admin County Paid to CCI	93.658		14,125	7,063	7,063
IV-E Adoption Training	93.659		5,142	-	1,714
ARRA Adoption Assistance	93.659		11,969	-	-
Title IV-E adoption subsidy	93.659		355,688	74,537	74,462
Total Foster Care and Adoption Cluster			<u>733,317</u>	<u>122,573</u>	<u>317,326</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
In- home services	93.667		\$ 2,948	\$ -	\$ 421
In-home Services over 60	93.667		19,060	-	2,723
In-home Services - SSBG other services	93.667		152,546	10,252	54,266
			<u>174,554</u>	<u>10,252</u>	<u>57,410</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Links	93.674		8,202	-	-
Links	93.674		6,710	1,677	-
			<u>14,912</u>	<u>1,677</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		9,215	9,215	-
ADT CR HM CS Mgt/Spec	93.778		30,929	12,264	18,664
ARRA Stimulus Credit benefits payments	93.778		49,211	(45,549)	(3,663)
Benefit payments	93.778		46,069,383	16,210,087	18,533
Transportation Service	93.778		22,036	7,817	-
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		851,563	-	851,563
Transportation Administration	93.778		62,486	-	62,486
State Children's Insurance Program - NC Health Choice	93.767		55,016	2,387	15,464
			<u>47,149,839</u>	<u>16,196,221</u>	<u>963,047</u>
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	93.218		123,991	-	-
Prevention Investigations and Technical Assistance	93.283		125,561	-	-
Social Services Block Grant	93.667		9,916	-	-
Maternal & Child Health Services Block Grant	93.994		95,881	-	100,956
			<u>355,349</u>	<u>-</u>	<u>100,956</u>
Immunization Cluster					
Immunization Program/Aid to County Funding	93.268		20,125	-	-
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Rape Crisis Department					
Rape Prevention	93.136		25,029	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Adoption/Foster Care	93.XXX		\$ 32,444	\$ 8,653	\$ 4,112
Passed through NC Department of Insurance					
Administered by Carteret County Cooperative Extension					
Seniors' Health Insurance Information Program	93.779		2,718	-	-
Total US Department of Health and Human Services			52,364,420	16,797,709	2,200,023
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		279,661	-	-
2006 CDBG Water Connection	14.228		74,780	-	-
2006 CDBG Hazardous Mitigation	14.228		87,511	-	-
Total US Department of Housing & Urban Development			441,952	-	-
US Election Assistance Commission					
Passed through NC Department of Elections					
Administered by County Elections Department					
HAVA Grant	90.401		18,309	-	-
State Assistance					
NC Department of Health and Human Services:					
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club			-	50,943	-
Juvenile Restitution Fund			-	21,520	-
Juvenile Crime Prevention			-	3,240	-
Teen Court			-	43,821	-
			-	119,524	-
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			-	-	24,108
Energy Assistance, Private Grants			-	9,554	-
CPS Expansion State			-	44,764	-
County Funded Programs			-	-	919,809
Non-Allocating County Cost			-	-	431,629
Work First Non Reimbursable			-	-	218,257
AFDC Incent / Prog Integrity			-	165	-
TANF / AFDC Program Integrity			-	2,574	-
CWS Adopt Subsidy & Vendor			-	163,876	49,977
Foster Care At Risk Maximization			-	3,978	2,143
Foster Care Special Provision			-	4,056	-
SC/SA Domiciliary Care payment			-	387,581	387,581
SFHF Maximation			-	29,325	29,325
State Foster Home			-	82,584	82,584
			-	728,457	2,145,413

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

	Federal	State/ Pass-through	Expenditures		
	CFDA Number	Grantor's Number	Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access					
			\$ -	\$ 51,982	\$ 5,776
HCCBG - In Home Support					
			-	80,945	8,994
HCCBG - Home Delivered Meals					
			-	8,720	969
Fan/ Heat Program					
			-	362	-
Senior Center Development					
			-	4,218	1,406
			-	146,227	17,145
Division of Public Health					
Administered by the County Health Department					
AIDS					
			-	500	-
Communicable Disease					
			-	1,756	96,970
Breast and Cervical Cancer Control					
			-	15,300	27,090
General					
			-	82,422	1,042,711
Risk Reduction/ Health Promotion					
			-	8,393	-
Tuberculosis					
			-	10,964	-
TB Medical Services					
			-	1,529	-
Women's Preventative Health					
			-	2,091	-
Public Health Lab					
			-	13	-
Preparedness and Response					
			-	45,383	99,747
LHD Smokefree Law					
			-	2,675	-
			-	171,026	1,266,518
Division of Child Development:					
Passed through Carteret County Partnership for Children					
Smart Start					
			-	24,623	22,748
Total NC Department of Health and					
Human Services					
			-	1,189,857	3,451,824
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal					
			-	20,529	-
Scrap Tire Disposal					
			-	70,227	-
			-	90,756	-
Division of Environmental Health					
Administered by the Environmental Health Department					
Environmental Health Grant					
			-	6,265	1,107,759
Mosquito Grant					
			-	6,450	171,296
			-	12,715	1,279,055
Division of Parks and Recreation					
Administered by the County Parks and Recreation Department					
Parks and Recreation Trust Fund					
		2008-550	-	236,993	908,634
Total NC Department of Environment and Natural Resources					
			-	340,464	2,187,689

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

	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					
State Terrorism Grant			\$ -	\$ 5,394	\$ -
Emergency Management Performance Grant			-	53,407	53,407
Total NC Department of Crime Control and Public Safety			-	58,801	53,407
NC Department of Corrections:					
Administered by the County Finance Office:					
Criminal Justice Partnership Program			-	82,281	-
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services			-	2,000	316,243
Other:					
Sexual Assault Grant Rape Crisis			-	62,701	15,675
Total NC Department of Administration			-	64,701	331,918
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	700,000	-
NC Department of Transportation					
Administered by the Carteret County Transportation Department					
DOT ROAP RGP Grant		DOT-16CL	-	99,852	11,095
DOT ROAP Work First Grant		DOT-16CL	-	21,368	2,374
DOT Elderly and Disabled		DOT-16CL		91,629	8,255
Total NC Department of Transportation			-	212,849	21,724
Total Federal Expenditures			<u>\$ 54,804,024</u>		
Total State Expenditures				<u>\$ 19,457,395</u>	
Total Local Expenditures					<u>\$ 8,698,373</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, 2010

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 \$10,959,428 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 funds.

Note 4. Program Clusters

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

Note 5. Loans Outstanding

The County has outstanding loan balances from federal and State funding sources that are not required to be presented within the schedule of expenditures of federal and State awards because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds are presented in the schedule in the year of their expenditure. The outstanding balance of the Drinking Water State Revolving Fund at June 30, 2010 was \$2,643,416.