

Carteret County, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

Prepared by the Finance Department
Dee Meshaw, Assistant County Manager



Table of Contents

Introductory Section (Unaudited)

Letter of Transmittal	1
List of Principal Officials	6
Organizational Chart	7
Map of Carteret County, North Carolina	8
GFOA Certificate of Achievement	9

Financial Section

Independent Auditor's Report	13
Management's Discussion and Analysis (Unaudited)	17

Basic Financial Statements

Government-wide financial statements:

Statement of net position	30
Statement of activities	32

Fund financial statements:

Governmental Funds:

Balance sheet	34
Reconciliation of the balance sheet of governmental funds to the statement of net position	35
Statement of revenues, expenditures and changes in fund balance	36
Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities	37
Statement of revenues, expenditures and changes in fund balance – budget and actual - General Fund	38
Statement of revenues, expenditures and changes in fund balance – budget and actual - Occupancy Tax Fund	39
Statement of revenues, expenditures and changes in fund balance – budget and actual - County Capital Improvements Fund	40

Proprietary Funds:

Statement of fund net position	41
Statement of revenues, expenses and changes in fund net position	42
Statement of cash flows	43

Fiduciary Funds:

Statement of fiduciary net position	45
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Notes to financial statements	46
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Required Supplementary Information (Unaudited)

Law Enforcement Officers' Special Separation Allowance –

Schedule of Changes in Total Pension Liability	105
Schedule of Total Pension Liability as a Percentage of Covered Payroll	106

Local Government Employees Retirement System -

Schedule of Proportionate Share of the Net Pension Liability (Asset)	108
Schedule of County Contributions	110

Table of Contents (Continued)

Register of Deeds' Supplemental Pension Fund	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	112
Schedule of County Contributions	114
Other Postemployment Benefits	
Schedule of Changes in Total OPEB Liability	116
Other Supplemental Financial Data	
Summary of Major Funds:	
General Fund:	
Schedule of revenues, expenditures and changes in fund balance – budget and actual	117
Summary of Nonmajor Governmental Funds:	
Combining balance sheet – non-major governmental fund types	125
Combining statement of revenues, expenditures and changes in fund balances – non-major governmental fund types	126
Non-major Special Revenue Funds:	
Combining balance sheet	128
Combining statement of revenues, expenditures and changes in fund balances	130
Schedule of revenues, expenditures, and changes in fund balance – budget and actual:	
Rescue Squad Fund	132
Fire District Fund	133
Emergency Telephone System Fund	134
Salter Path District Fund	135
Water Tax District Fund	136
2014 Flood Mitigation Fund	137
Nonmajor Capital Project Funds:	
Combining balance sheet	140
Combining statement of revenues, expenditures and changes in fund balances	142
Schedule of revenues, expenditures and changes in fund balances – budget and actual:	
County Capital Reserve Fund	144
County Facilities / Debt Reserve Fund	145
School Special Projects Fund	146
County Construction Projects Fund	147
2015 School Bond Project Fund	148
Carteret Community College Project Fund	149
Enterprise Fund:	
Schedule of revenues and expenditures – budget and actual (non-GAAP):	
Water Operating Fund	151
Agency Funds:	
Combining statement of changes in fiduciary net position	153
Combining statement of changes in assets and liabilities	154

Table of Contents (Continued)

Governmental Funds Capital Assets:	
Capital assets used in the operation of governmental funds:	
Comparative schedules by source	155
Schedule by function and activity	156
Schedule of changes by function and activity	158
Other Financial Information:	
Schedule of ad valorem taxes receivable	160
Analysis of current year's tax levy	161

Statistical Section (Unaudited)

Schedule 1. Net position by component, last ten fiscal years	164
Schedule 2. Changes in net position, last ten fiscal years	166
Schedule 3. Fund balances, governmental funds, last ten fiscal years	173
Schedule 4. Changes in fund balances, governmental funds, last ten fiscal years	176
Schedule 5. Assessed value and actual value of taxable property, last ten fiscal years	178
Schedule 6. Property tax rates, direct and overlapping governments-summary, last ten years	181
Schedule 7. Property tax rates, direct and overlapping governments-detail, last ten years	182
Schedule 8. Ten largest taxpayers, current year and ten years ago	187
Schedule 9. Property tax levies and collections, last ten fiscal years	188
Schedule 10. Ratios of outstanding debt by type, last ten fiscal years	190
Schedule 11. Ratios of net general bonded debt outstanding, last ten fiscal years	193
Schedule 12. Computation of legal debt margin, last ten fiscal years	194
Schedule 13. Computation of direct and overlapping debt, governmental activities debt	196
Schedule 14. Demographic statistics, last ten fiscal years	197
Schedule 15. Principal employers, current year and ten years ago	198
Schedule 16. Full-time equivalent county government employees by function, last ten years	200
Schedule 17. Operating indicators by function, last ten years	202
Schedule 18. Capital asset statistics by function, last ten years	204

Compliance Section

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 <i>Government Auditing Standards</i>	209
Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	
Required by the Uniform Guidance and the State Single Audit Implementation Act	211
Compliance for Each Major State Program and Report on Internal Control Over Compliance	
in Accordance with the Uniform Guidance and State Single Audit Implementation Act	214
Schedule of Findings and Questioned Costs	216
Corrective Action Plan	220
Summary Schedule of Prior Audit Findings	222
Schedule of Expenditures of Federal and State Awards	223
Notes to Schedule of Expenditures of Federal and State Awards	230



Introductory Section

Letter of Transmittal

List of Principal Officials

Organizational Chart

Map of Carteret County, North Carolina

GFOA Certificate of Achievement



CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



Tel: (252) 728-8410
Fax: (252) 728-0133
deem@carteretcountync.gov
www.carteretcountync.gov

November 26, 2019

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, 2019.

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

The County's financial statements have been audited by RSM LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the County

Carteret County, incorporated in 1722, is a growing county located on the central coastline of North Carolina with approximately 70,000 residents living in or around municipalities and rural “Down East” maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The County is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the County, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the County seat.

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

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

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). The legal level for the General Fund budget is the department level, and all other funds legal level of control is the fund level. Regarding the General Fund, 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. Amounts up to \$30,000 between departments of the same fund per occurrence may be transferred by the manager; however, amounts greater than \$30,000 per occurrence require Commission approval. In addition, amounts between funds require Commission approval. Contingency appropriation transfers require Commission approval except for the purpose of funding salary and benefits adjustments consistent with the Carteret County personal policy. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 38 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. the special revenue funds and the capital projects funds). Annually adopted funds are as follows: General Fund, Occupancy Tax, Emergency Telephone System, Rescue Squad Taxing District, Fire Taxing Districts, Salter Path Taxing District, Water Taxing District, County Capital Reserve, County Capital improvements, County Facilities / Debt Reserve, School Special Project, and Water Fund. All other funds excluding agency funds have been adopted as project length budgets and are listed as follows: County Construction Project, 2015 School Bond Project, and Carteret Community College Construction Fund.

Factors Affecting Financial Condition

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

Local Economy

The County economy continues to improve. Annual unemployment average was 4.66% for the County compared to 4.35% in the prior year, and those rates are slightly higher than the state's average unemployment rate of 3.88%. The tourism industry continues to perform well with an average annual economic impact of \$377.05 million, a 4.0% increase from the previous year. Carteret County ranks thirteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, construction and marine trades.

Industrial Parks

The Jarrett Bay Marine Industrial Park is approximately 175 acres north of Beaufort on the Intracoastal Waterway. The Park concentrates on the boat industry, and has rapidly evolved into one of the most comprehensive one stop service supply facilities on the east coast. Jarrett Bay Boatworks Inc. added an ultra-modern 30,000 square foot indoor heated repair facility that is designed to accommodate up to two 100 foot vessels side by side with a 55 foot clearance. This addition brings Jarrett Bay's building square footage to 125,000. The Park continues to expand with 98% of the land sold.

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

Morehead City State Port

The Morehead City Port is one of the deepest ports on the east coast with a forty-five foot depth and only four miles from the Atlantic Ocean. The port handles both break bulk and bulk cargo and has break bulk tonnage capacity of 1,080,000 and tonnage capacity of 2,730,000. The Port is the second largest importer in the country for natural rubber. Commodities such as rubber, phosphate, lumber, steel, and wood pulp go through the port.

Marine Science

The marine science agencies in Carteret County constitute one of the nation's largest and most diverse concentration of marine related expertise and activity. There are eight major marine science agencies as follows: Duke University Marine Lab, University of North Carolina Institute of Marine Science, North Carolina State University Center for Marine Science and Technology (CMAST), the National Oceanic and Atmospheric Administration (NOAA) Center for Coastal Fisheries and Habitat Research, Carteret Community College Aquaculture and Marine Trades, NC Aquarium at Pine Knoll Shores, NC Division of Coastal Management, and NC Division of Marine Fisheries. Carteret County's eight major marine science agencies account for a total economic impact in the county of \$83 million in economic activity, \$4 million in salary and investment income, and support the employment of 1,063 Carteret residents.

Retail

Retail continues to expand in Carteret County. The County continues to see modest expansion in locally owned restaurants and retail.

The following table lists the 10 largest employers in the County in 2019:

Employer	Service	Employment Range
Carteret County Public Schools	Education	1000+
Carteret General Hospital	Health Services	1000+
Carteret County	Government Service	500-999
Wal-Mart Associates Inc	Retail	250-499
Lowes Home Improvements	Retail	250-499
Carteret Community College	Education	250-499
Big Rock Sports LLC	Retail	250-499
Food Lion	Retail	250-499
Lowes Foods LLC	Retail	100-249
Bally Refrigerated Boxes Inc	Manufacturing	100-249

Source: NC Commerce LEAD Division
2019 Employees are full time

During the last ten years, the County's expenses have increased with the most emphasis on public safety and education. These areas have increased 41.58% in public safety and 18.25% in education operating expenses. As a result, of education funding, Carteret County Schools consistently ranks in the top fifteen school systems in local funding ranking in the state. In public safety, funding increases have resulted in greater levels of services with first responders such as paramedics, the Sheriff's Department and 911 telephone system enhancements. The funding increases have provided resources for more staff and staff training, as well as needed equipment. Environmental protection illustrates a 496% increase from 10 years ago. However, this increase is due to the significant amount of debris removal due to Hurricane Florence. Excluding Hurricane Florence, environmental protection has increased 24% over the last ten years.

During this same ten year period, revenues have remained stable with modest increases in fees and taxes. Most increased revenue growth has occurred naturally, and is not due to the Board of Commissioners levying taxes and fee increases. Fees and taxes are set annually to support the adopted budget's services and expenses.

Long-Term Financial Planning

The County's total operating budget for the fiscal year ending June 30, 2020 totals \$119,176,260 with a General Fund tax rate of \$.31 per \$100 of assessed value, based on a total valuation of \$15.34 billion. The County's assessed value represents approximately 2.33% increase from the assessed value used in the June 30, 2019 budget. The increase is due to modest construction in the County. The County anticipates modest growth in its tax base going forward. For the County's operating budget for the fiscal year ending June 30, 2020, it is anticipated that the tax rate would need to be between \$.31 and \$.33 per \$100 of the current assessed value to maintain the current level of service.

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

Major Initiatives

The County has several initiatives for fiscal year 2020. In fiscal year 2015, the County developed a facilities master plan to address space needs and current building conditions for social services, courts, Sheriff Division, and County administration needs. The plan is an approximate \$79 million plan that is

broken out in multiple phases over a 15 year period. The County Board of Commissioners appropriated funding for a new General Services building that houses public works, public buildings, and the transportation departments. Two of these departments were located in a building that was over 40 years old. This facility was completed in fiscal year 2019. Currently, the Board has established a committee to evaluate expanding its existing detention center. If the detention center is expanded and other recommendations in the plan are implemented over time, the County anticipates funding the plan with a combination of long term debt and pay as you go. In addition to the facilities master plan, the county continues to fund park improvements, other building improvements, as well as capital improvements for our schools and community college.

The County continues its initiatives in the fiscal year 2020 budget to improve public safety, transportation, waterway dredging, and human services. The fiscal year 2020 budget funds equipment and expands staffing levels.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2020, the County continues to fund pay as you go capital improvements and maintenance to improve efficiency in operations. Due to the improvements completed in 2013, the County does not have any major water system projects planned for the next few years.

Award and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Carteret County for its Comprehensive Annual Financial Report for the year ended June 30, 2018. This was the seventeenth 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, 2018. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Sincerely,

Dee Meshaw

Dee H. Meshaw
Assistant County Manager

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS JUNE 30, 2019

BOARD OF COMMISSIONERS

MARK MANSFIELD
Chairman
Morehead City, North Carolina

ROBIN COMER
Vice Chairman
Stella, North Carolina

BOB CAVANAUGH
Morehead City, North Carolina

JIMMY FARRINGTON
Emerald Isle, North Carolina

JONATHAN ROBINSON
Atlantic, North Carolina

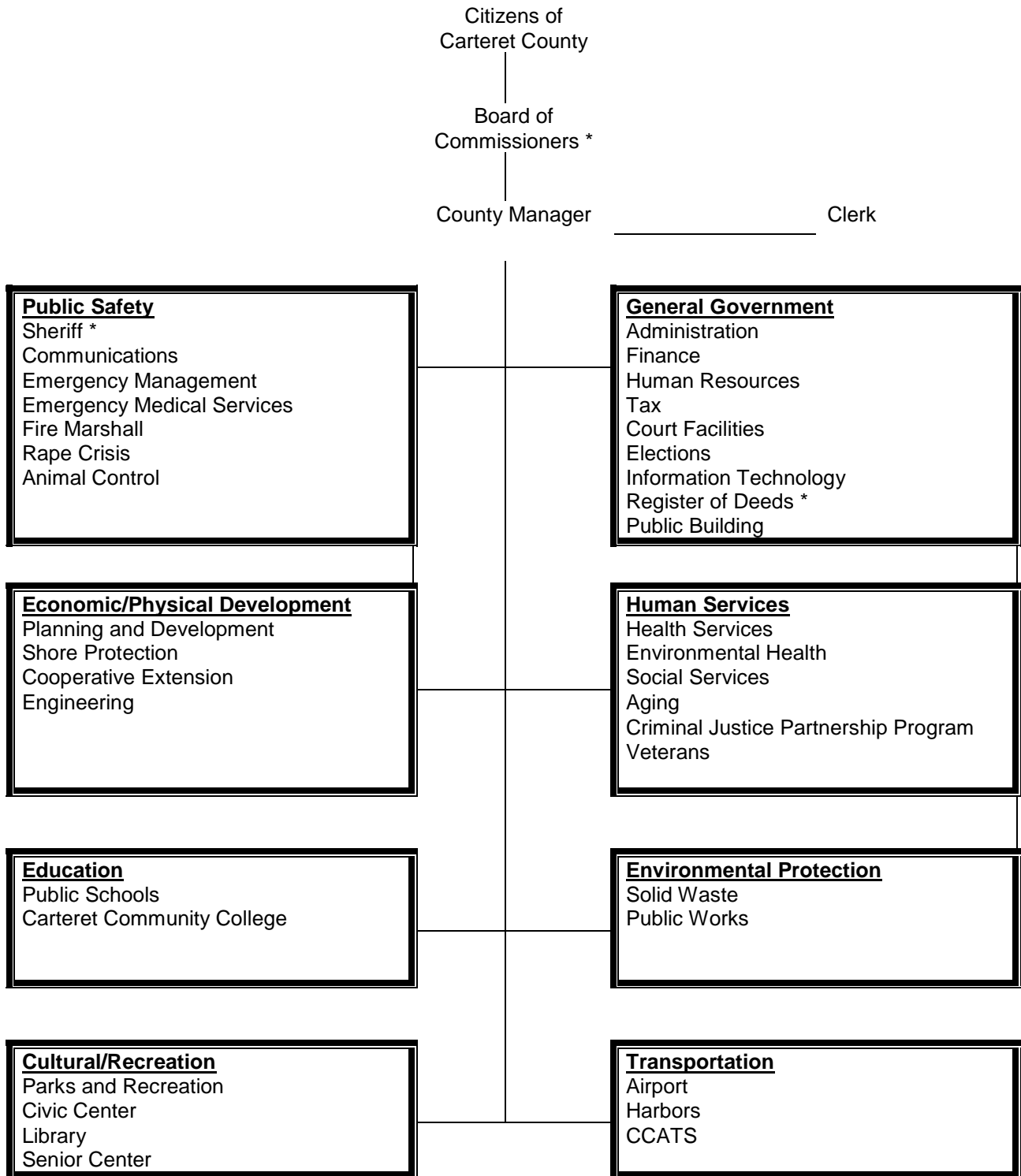
BILL SMITH
Newport, North Carolina

ED WHEATLY
Beaufort, North Carolina

COUNTY OFFICIALS

Tommy Burns	County Manager
Dee H. Meshaw	Assistant County Manager Finance Director
Eugene Foxworth	Assistant County Manager, General Services
Asa Buck III	Sheriff
Karen Hardesty	Register of Deeds
Cynthia Holman	Human Services Director
Stephen Rae	Emergency Management Director
Ray Hall	Information Technology Director
Alfred Gillikin	Interim Tax Administrator
Tina Purifoy	Parks and Recreation/ Civic Center Director

Carteret County, North Carolina Organizational Chart



* Elected Officials

**MAP OF
CARTERET COUNTY, NORTH CAROLINA**



<u>Carteret County</u>	
Population	71,084
Area	526 sq. miles
Date Est.	1722
County Seat	Beaufort



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Carteret County
North Carolina**

For its Comprehensive Annual Financial
Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



Financial Section

Independent Auditor's Report

**Management's Discussion and Analysis
(Unaudited)**

Basic Financial Statements

Notes to Financial Statements

**Required Supplementary Information
(Unaudited)**



Independent Auditor's Report



To the Honorable Chairman and
Members of the Board of Commissioners
Carteret County, North Carolina

RSM US LLP

13621 John Platt Drive
Morehead City, NC 28557

T +1 252 726 0551
F +1 252 726 2740

www.rsmus.com

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County Alcoholic Beverage Control (ABC) Board or Carteret County General Hospital Corporation, which collectively represent 100% of the assets, net position and revenues of the aggregate discretely presented component units of the County. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County ABC Board and Carteret County General Hospital Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Carteret County ABC Board and Carteret County General Hospital Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the occupancy tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 28, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions and the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability, on pages 105 through 116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The financial statements and schedules listed in the financial section of the table of contents as "other supplemental financial data," the Schedule of Expenditures of Federal and State Awards, as required by Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act in the compliance section of the table of contents, and the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental financial data and the Schedule of Expenditures of Federal and State Awards identified in the preceding paragraph are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the financial statements and schedules listed as other supplemental financial data and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of Carteret County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carteret County's internal control over financial reporting and compliance.

RSM VS LLP

Morehead City, North Carolina
November 26, 2019



**Management's Discussion and Analysis (Unaudited)
June 30, 2019**

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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

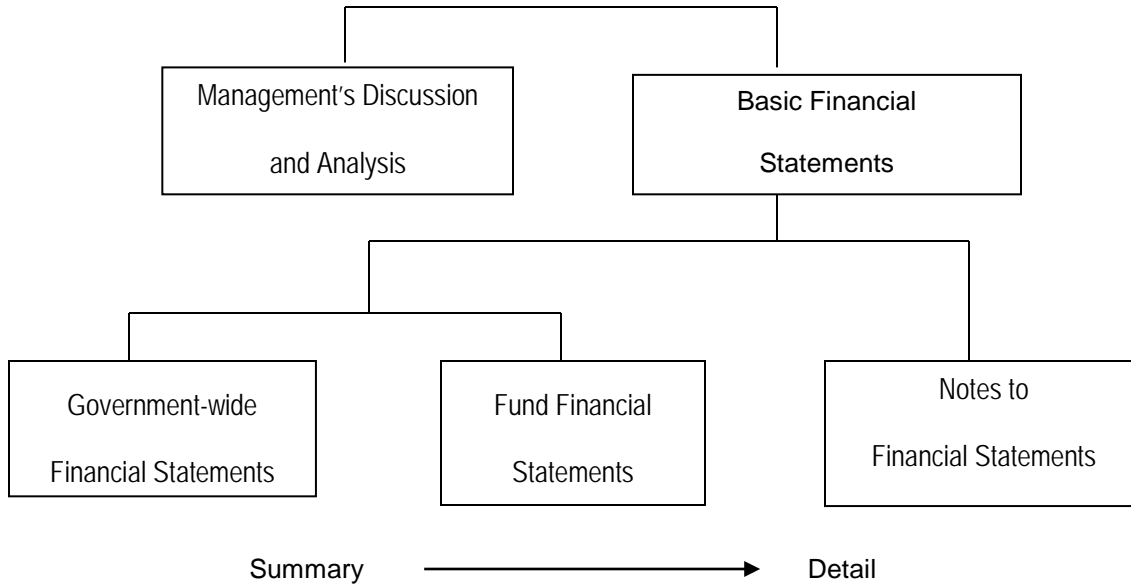
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$53,421,303 (*net position*).
- The government's total net position decreased by \$6,371,348, primarily due to Hurricane Florence federal and state eligible expense reimbursements not received during the fiscal year. This anticipated amount of reimbursement is approximately \$6.10 million. Revenues such as ad valorem and sales taxes exceeded projections.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$60,245,907, after a net decrease in fund balance of \$11,366,080. Approximately 66.06 percent of this total amount or \$39,796,630 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$21,801,623 or 22.18 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 \$3,559,803. The County retired debt principal and decrease in net pension liability that resulted in a net decrease in long term debt.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the seventh year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Management's Discussion and Analysis (Unaudited)
June 30, 2019

Government-Wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

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

The government-wide financial statements are on pages 30-33 of this report.

Fund Financial Statements

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

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

Management's Discussion and Analysis (Unaudited)
June 30, 2019

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The governmental fund financial statements are on pages 34 - 40 of this report.

Proprietary Funds – The County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The proprietary fund financial statements are on pages 41 - 44 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has four agency funds. The fiduciary fund financial statements are on page 45 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 46 - 101 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 103 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,421,303 as of June 30, 2019. The County's net position decreased by \$6,371,348 for the fiscal year ended June 30, 2019. Net position is reported in three categories: net investment in capital assets of \$27,406,883, restricted net position of \$25,009,402, and unrestricted net position of 1,005,018.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2019

The net investment in capital assets category is defined as the County's investment in County owned capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restriction on how they may be used. The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2019, the unrestricted net position of governmental activities reported \$31,040. Of the County's net position, \$25,009,402 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 small unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds, general obligation debt, and installment debt. The assets are funded by the County; however, the assets are owned and utilized by the school system and the community college, and are reported by those entities. The County, as the debt issuing government, acquires no capital assets; the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$28.75 million of the outstanding debt on the County's financial statements was related to assets included in the school system's and community college's financial statements. However, as the majority of this school system and community college related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 72,681,861	\$ 81,422,627	\$ 1,262,168	\$ 1,090,285	\$ 73,944,029	\$ 82,512,912
Capital assets	23,034,640	23,030,203	6,488,371	6,836,643	29,523,011	29,866,846
Total assets	95,716,501	104,452,830	7,750,539	7,926,928	103,467,040	112,379,758
Total deferred outflows of resources	7,337,961	5,820,817	58,009	42,770	7,395,970	5,863,587
Long-term liabilities						
outstanding	47,070,604	50,459,908	2,232,744	2,403,243	49,303,348	52,863,151
Other liabilities	4,593,329	4,521,867	173,653	143,927	4,766,982	4,665,794
Total liabilities	51,663,933	54,981,775	2,406,397	2,547,170	54,070,330	57,528,945
Total deferred inflows of resources	3,365,447	916,104	5,930	5,645	3,371,377	921,749
Net position:						
Net investment in capital assets	22,984,640	22,912,344	4,422,243	4,581,483	27,406,883	27,493,827
Restricted	25,009,402	31,744,580	-	-	25,009,402	31,744,580
Unrestricted (deficit)	31,040	(281,156)	973,978	835,400	1,005,018	554,244
Total net position	\$ 48,025,082	\$ 54,375,768	\$ 5,396,221	\$ 5,416,883	\$ 53,421,303	\$ 59,792,651

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2019

Governmental activities: Governmental activities decreased the County's net position by \$6,350,686 from fiscal year 2019. Key elements that net to this decrease are as follows:

- Increases in property tax revenue were approximately \$1.10 million due, and growth in the tax base and the Board of Commissioners increasing some rates in special taxing districts.
- Increases in other taxes which include sales taxes and occupancy tax were approximately \$1.29 million from the prior fiscal year.
- Beach Nourishment Phase I project was completed, and \$7.95 million restricted beach nourishment funds were spent.
- Hurricane Florence expenses were approximately \$16.76 million and the County was reimbursed \$10.45 million by FEMA, the State and insurance proceeds. \$15.40 million has been approved by FEMA, and \$6.10 million has not been received by the County. Because of Hurricane Florence, most expense categories increased from the previous fiscal year.
- Many expense categories were less than projected, such as general government, public safety, transportation, economic and physical development, human services, cultural and recreation, as well as contingency that offset a portion of the impact of the above listed expenses.

Business-type activities: Business-type activities decreased net position by \$20,662. Even though revenues were greater than projected and expenses were less than projected, net position decreased for fiscal year ending June 30, 2019. The primary factor for the decrease was due to depreciation expense and scheduled plant maintenance for the water system. The decrease in net position was partially offset by contracted services, personnel, and chemical expenses less than projected. The County completed a major water system improvement fiscal year ending June 30, 2013, and now those assets are being depreciated. The water plant infrastructure was minimally impacted by Hurricane Florence and had a small amount of fence damage.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2019

The County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 8,523,191	\$ 7,483,906	\$ 711,732	\$ 678,879	\$ 9,234,923	\$ 8,162,785
Operating grants and contributions	28,013,773	12,549,708	-	-	28,013,773	12,549,708
Capital grants and contributions	328,231	356,952	-	-	328,231	356,952
General revenues:						
Property taxes	54,449,182	53,338,473	-	-	54,449,182	53,338,473
Other taxes	26,057,980	24,775,357	-	-	26,057,980	24,775,357
Other	3,501,529	2,003,360	26,896	9,403	3,528,425	2,012,763
Total revenues	120,873,886	100,507,756	738,628	688,282	121,612,514	101,196,038
Expenses:						
General government	9,357,478	8,144,384	-	-	9,357,478	8,144,384
Public safety	23,453,487	20,981,474	-	-	23,453,487	20,981,474
Transportation	1,841,321	1,628,539	-	-	1,841,321	1,628,539
Economic and physical development	23,043,843	6,248,400	-	-	23,043,843	6,248,400
Environmental protection	18,482,660	3,835,482	-	-	18,482,660	3,835,482
Human services	16,619,956	15,878,033	-	-	16,619,956	15,878,033
Cultural and recreation	4,375,740	4,159,922	-	-	4,375,740	4,159,922
Education	28,549,195	29,442,864	-	-	28,549,195	29,442,864
Interest on long-term debt	1,100,892	1,284,366	-	-	1,100,892	1,284,366
Water	-	-	1,159,290	1,259,889	1,159,290	1,259,889
Total expenses	126,824,572	91,603,464	1,159,290	1,259,889	127,983,862	92,863,353
Increase (decrease) in net position before transfers	(5,950,686)	8,904,292	(420,662)	(571,607)	(6,371,348)	8,332,685
Transfers	(400,000)	(433,600)	400,000	433,600	-	-
Increase (decrease) in net position	(6,350,686)	8,470,692	(20,662)	(138,007)	(6,371,348)	8,332,685
Net position, beginning, previously reported	54,375,768	49,336,204	5,416,883	5,635,176	59,792,651	54,971,380
Restatement - accounting change	-	(3,431,128)	-	(80,286)	-	(3,511,414)
Net position, July 1, restated	54,375,768	45,905,076	5,416,883	5,554,890	59,792,651	51,459,966
Net position, June 30	\$ 48,025,082	\$ 54,375,768	\$ 5,396,221	\$ 5,416,883	\$ 53,421,303	\$ 59,792,651

Financial Analysis of the County's Funds

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

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

**Management's Discussion and Analysis (Unaudited)
June 30, 2019**

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$21,801,623, while total fund balance reached \$47,991,499. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The County currently has an unassigned fund balance of 22.18 percent of general fund expenditures, while total fund balance represents 48.83 percent of that same amount. The County's unassigned fund balance decreased \$7,244,456. The decrease in unassigned fund balance is mostly due to FEMA and State reimbursements not released to the County by year end. FEMA has approved \$15,403,358 in expenditure reimbursements, and \$6,095,317 had not been released to the County, thus accounting for most of the decrease. In addition, when the budget was adopted, fund balance was planned as the funding source for many capital projects and improvements for public schools, community college, and county. This planned capital accounts for the remaining \$1,149,139 decrease in unassigned fund balance. Revenues categories excluding intergovernmental revenues exceeded budgeted amounts by approximately \$2.80 million, with most of the amount derived from sales taxes, property taxes and interest earnings. Intergovernmental revenue was less than budget due to not receiving all of the hurricane reimbursements. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$5.27 million. Human services, economic development, public safety, and general government functions had the greatest amounts coming in under budget.

At June 30, 2019, the governmental funds of the County reported a combined fund balance of \$60,245,907, an \$11,366,080 decrease from last year. The decrease is a combination of two primary reasons. One is the General Fund unassigned decrease in fund balance discussed above. The second is restricted fund balance decreased. The County used restricted beach nourishment funds for the beach nourishment project that occurred during the fiscal year.

General Fund Budgetary Highlights

During fiscal year 2019, the County's financial picture was good. Revenues were less than budgeted by \$2,712,281 due to not receiving all of the FEMA and State reimbursements for Hurricane Florence. All other categories exceeded the budgeted amounts \$2,798,975. Ad valorem taxes, sales taxes, and interest earnings made up most of the positive variance. Hurricane Florence had a significant impact on the County, but through conservative management and prioritizing our expenditures and capital outlay, the County finished the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$17,363,578 and expenditure appropriations by \$19,533,053. The appropriations increase was mostly due to the Hurricane Florence revenues (\$16.76 million) for insurance proceeds and FEMA and State hurricane eligible expense reimbursements. Expenditures were increased in all functions of government for hurricane related expenses with environmental protection increasing the most for debris removal. Other expenditure increases were due to uncompleted projects from fiscal year 2018.

The County's expenditures were less than the budgeted amount by \$5.27 million, and most of the savings were in the human services programs of \$2.13 million, public safety programs of \$.66 million, \$.72 million general government, as well as \$1.76 million in economic and physical development, transportation, environmental protection, debt service, and culture and recreation.

Management's Discussion and Analysis (Unaudited)
June 30, 2019

Occupancy Tax Fund. This fund is used to account for the six percent tax collected on hotel, motel condominium room rentals within the County and the subsequent distribution of the tax to the Tourism Development Authority (TDA) and the County General Fund for beach nourishment. Total revenues were \$7,716,833, slightly less than projected. Fund expenses for the TDA were \$3,797,509, and transfers to the General Fund for beach nourishment and administrative costs were \$3,884,327. Expenses and transfers were \$188,164 less than budgeted.

County Capital Improvement Fund. This fund accounts for the funding and construction of projects. The primary funding sources are transfers from the General Fund and intergovernmental revenue for grants. Ending fund balance was \$1,904,339, a \$445,769 from fiscal year 2018. The increase was due to intergovernmental and interest revenue exceeding estimates by \$499,128, and mostly park projects that were not completed that resulted in \$921,560 not spent. The County revised the budget on several occasions increasing revenue \$5,114,670 and increasing expenses \$17,964,088. Revenues were increased for intergovernmental revenue for the Phase I Beach Nourishment project, waterway dredging, and park projects. Expenditures were increased \$17,170,113 for beach nourishment, \$406,610 waterway dredging, and \$387,365 park projects. The Phase I Beach Nourishment project was funded by State intergovernmental revenue and General Fund transfer of restricted beach nourishment fund balance.

Proprietary Funds. The County's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year was \$973,978. Expenses were less than projected; however, net position decreased due to depreciation expense and plant maintenance. As in previous years, the Water Fund is not self-supporting and relies on the water taxing district revenues to transfer into the Water Fund. In fiscal year 2019, \$400,000 was transferred from the water taxing district, \$33,600 less than the previous year. The transfer decrease was due to significant plant maintenance completed in the prior fiscal year.

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, 2019, totals \$29,523,011 (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
- Purchase of vehicles in departments including six Sheriff Department vehicles
- Technology equipment
- Completed the County general services / public works facility.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2019

The County's Capital Assets

Figure 4

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

Carteret County's Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,653,780	\$ 5,225,877	\$ 222,608	\$ 222,608	\$ 5,876,388	\$ 5,448,485
Buildings	8,263,142	6,337,197	1,012,538	1,083,180	9,275,680	7,420,377
Water lines	-	-	5,207,664	5,485,212	5,207,664	5,485,212
Vehicles	2,071,601	1,555,351	26,528	35,632	2,098,129	1,590,983
Equipment	1,143,469	1,115,675	19,033	10,011	1,162,502	1,125,686
Other improvements	4,090,458	4,520,755	-	-	4,090,458	4,520,755
Leasehold improvements	1,433,933	1,563,454	-	-	1,433,933	1,563,454
Construction in progress	378,257	2,711,894	-	-	378,257	2,711,894
Total	\$ 23,034,640	\$ 23,030,203	\$ 6,488,371	\$ 6,836,643	\$ 29,523,011	\$ 29,866,846

General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2019, the County had total general obligation bonded debt outstanding of \$22,100,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

Figure 5

Carteret County's Outstanding Debt						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 22,100,000	\$ 25,725,000	\$ -	\$ -	\$ 22,100,000	\$ 25,725,000
Certificate of participation	1,290,000	1,730,000	-	-	1,290,000	1,730,000
Revenue bond	-	-	962,000	980,000	962,000	980,000
Bond premiums	1,845,515	2,131,480	-	-	1,845,515	2,131,480
Installment note payable	5,411,102	6,850,875	1,104,128	1,275,160	6,515,230	8,126,035
Compensated absences	1,591,186	1,532,578	18,675	15,946	1,609,861	1,548,524
Net pension liability (LGERS)	6,492,805	4,235,757	66,246	47,978	6,559,051	4,283,735
Total pension liability (LEOSSA)	1,127,500	1,108,206	-	-	1,127,500	1,108,206
Net OPEB obligation	7,212,496	7,146,012	81,695	84,159	7,294,191	7,230,171
Total long-term debt	\$ 47,070,604	\$ 50,459,908	\$ 2,232,744	\$ 2,403,243	\$ 49,303,348	\$ 52,863,151

The County's total debt decreased \$3,559,803 during the past fiscal year. The decrease is due to retiring debt principal.

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

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

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

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2019

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, 2019, for the County is \$1,176,982,519.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 71 - 78 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, 2019, the unemployment rate for the County averaged 4.66%, compared to the 4.35% for fiscal year 2018. These rates are slightly higher than the state's average unemployment rate of 3.88% for fiscal year 2019. The County is seeing modest residential and commercial development. In addition, the County is realizing increases in sales tax revenues. This modest growth in development combined with other revenue increases, has allowed the County to continue meeting its capital needs and demands for services with the no property tax increase in the fiscal year ending June 30, 2020. The County adopted an ad valorem tax rate of \$.31 cents per \$100 assessed value in fiscal year 2020.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The County has approved a \$94.84 million general fund budget for fiscal year 2020, which represents a \$28.41 million or 23.05% decrease from fiscal year 2019 amended budget. The net decrease in the budget is primarily due to approximately \$16.76 million Hurricane Florence expenditures and spending \$12.09 million restricted funds on the phase I beach nourishment project. The approved budget increased funding for education. In addition, the Board appropriated funding for staff performance based pay increases.

In the budget, the County's Board of Commissioners maintained the General Fund 31 cent ad valorem property tax rate per \$100 assessed valuation. Current year tax revenues are projected to generate \$46.54 million. Due to growth in sales tax revenue, the County budgeted a 3.94% increase that generates approximately \$15.80 million in revenue. All revenues are budgeted conservatively, and sales and services and fees are budgeted with small growth from the previous fiscal year. The fiscal year 2020 General Fund budgets approximately \$5.30 million fund balance appropriation. This amount of fund balance is primarily due to funding public school and community college capital, as well as county capital improvements and large building maintenance needs. The General Fund budget did not budget FEMA and State revenue reimbursements for Hurricane Florence. FEMA has approved \$15.40 million of the \$15.90 million eligible expenses submitted by the County. Of the \$15.40 million approved, the County recorded \$9.31 million in revenue FY19 leaving a remaining balance of \$6.09 million. The County anticipates receiving the balance during FY20.

As in previous years, Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$29.81 million or 31.43% of the fiscal year 2020 budget. This area includes funding for the public school system and the Carteret County Community College.

Business Activities: In fiscal year 2013, the County completed its \$3.51 million construction project to enhance and improve the County's water treatment system. The improvements constructed elevated water storage tanks, a booster pump station, and water plant upgrades; as a result of this improvement, the County does not have any large projects in the next several years. For FY20, the Water Fund adopted budget is \$1,133,500 for operations, debt service and equipment. The adopted budget increased funding \$4,845 for operating expenses. FY20 annual debt service is \$245,880.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2019

The adopted Water Fund budgets \$702,900 user fee revenue and does not increase user rates. User rates were increased 15% in FY18. The budget includes a \$420,000 transfer from the Water Taxing District Special Revenue Fund. The transfer is \$20,000 more than FY19.

Requests for Information

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



Carteret County, North Carolina

**Statement of Net Position
June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,435,846	\$ 1,139,758	\$ 10,575,604
Investments	41,489,908	-	41,489,908
Receivables (net)	17,728,739	78,478	17,807,217
Due from component unit	220,927	-	220,927
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	2,061,440	43,932	2,105,372
Investments	1,568,390	-	1,568,390
Net pension asset	176,611	-	176,611
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	6,032,037	222,608	6,254,645
Other capital assets, net of depreciation	17,002,603	6,265,763	23,268,366
Total capital assets	23,034,640	6,488,371	29,523,011
Total assets	95,716,501	7,750,539	103,467,040
Deferred Outflows of Resources	7,337,961	58,009	7,395,970
Liabilities			
Accounts payable and accrued expenses	4,315,655	59,658	4,375,313
Accrued interest payable	277,674	6,995	284,669
Customer deposits	-	107,000	107,000
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	5,736,183	197,049	5,933,232
Due in more than one year	41,334,421	2,035,695	43,370,116
Total long-term liabilities	47,070,604	2,232,744	49,303,348
Total liabilities	51,663,933	2,406,397	54,070,330
Deferred Inflows of Resources	3,365,447	5,930	3,371,377
Net Position			
Net investment in capital assets	22,984,640	4,422,243	27,406,883
Restricted for:			
Public Safety	4,217,846	-	4,217,846
Economic Development	11,925,106	-	11,925,106
Cultural and Recreation	33,898	-	33,898
Register of Deeds	204,369	-	204,369
Human Services	484,242	-	484,242
Stabilization by State Statute	8,143,941	-	8,143,941
Other purposes	-	-	-
Unrestricted	31,040	973,978	1,005,018
Total net position	\$ 48,025,082	\$ 5,396,221	\$ 53,421,303

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
\$ 830,146	\$ 1,630,930	\$ 59,637,407	\$ 1,801,901
-	-	83,176,204	-
26,070	942,194	30,689,936	-
-	-	-	-
-	-	3,679,219	1,568,281
1,108	-	2,967,449	18,717
101,499	-	3,674,554	-
-	-	-	-
-	-	-	-
-	-	2,222,038	-
3,370,519	-	3,246,495	1,221,202
9,872,360	313,204	80,671,119	1,904,390
13,242,879	313,204	83,917,614	3,125,592
14,201,702	2,886,328	269,964,421	6,514,491
-	-	-	197,053
24,282	405,026	19,584,136	1,659,338
-	-	-	-
-	-	-	-
-	-	-	220,927
18,477	4,031	742,789	-
36,954	12,093	1,642,592	201,649
55,431	16,124	2,385,381	201,649
79,713	421,150	21,969,517	2,081,914
17,890	-	13,069,707	1,044
13,187,448	313,204	81,532,233	3,125,592
-	-	-	212,668
-	-	-	-
-	-	-	-
-	-	-	-
26,070	942,194	-	-
-	1,209,780	8,470,586	467,620
890,581	-	144,922,378	822,706
\$ 14,104,099	\$ 2,465,178	\$ 234,925,197	\$ 4,628,586

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,357,478	\$ 3,036,312	\$ -	\$ -
Public safety	23,453,487	240,284	1,180,590	-
Transportation	1,841,321	152,241	1,473,993	228,231
Economic and physical development	23,043,843	755,176	5,510,341	-
Environmental protection	18,482,660	3,533,805	9,558,750	-
Human services	16,619,956	431,438	9,496,266	-
Cultural and recreation	4,375,740	373,935	-	100,000
Education	28,549,195	-	72,866	-
Interest on long-term debt	1,100,892	-	720,967	-
Total governmental activities	126,824,572	8,523,191	28,013,773	328,231
Business-type activities:				
Water	1,159,290	711,732	-	-
Total primary government	\$ 127,983,862	\$ 9,234,923	\$ 28,013,773	\$ 328,231
Component units:				
Airport Authority	\$ 928,870	\$ 195,771	\$ 30,950	\$ 1,252,509
Tourism Development Authority	3,011,335	3,797,509	142,857	-
Hospital	149,116,877	167,008,189	349,105	-
ABC Board	11,929,171	12,158,121	-	-
Total component units	\$ 164,986,253	\$ 183,159,590	\$ 522,912	\$ 1,252,509
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Occupancy tax				
ABC local bottle tax				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Total general revenues excluding transfers				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (6,321,166)	\$ -	\$ (6,321,166)				
(22,032,613)	-	(22,032,613)				
13,144	-	13,144				
(16,778,326)	-	(16,778,326)				
(5,390,105)	-	(5,390,105)				
(6,692,252)	-	(6,692,252)				
(3,901,805)	-	(3,901,805)				
(28,476,329)	-	(28,476,329)				
(379,925)	-	(379,925)				
(89,959,377)	-	(89,959,377)				
-	(447,558)	(447,558)				
(89,959,377)	(447,558)	(90,406,935)				
			\$ 550,360	\$ -	\$ -	\$ -
			-	929,031	-	-
			-	-	18,240,417	-
			-	-	-	228,950
			550,360	929,031	18,240,417	228,950
54,449,182	-	54,449,182	-	-	-	-
18,298,871	-	18,298,871	-	-	-	-
7,716,833	-	7,716,833	-	-	-	-
42,276	-	42,276	-	-	-	-
1,195,756	-	1,195,756	-	-	-	-
1,617,950	26,896	1,644,846	13,138	20,469	824,214	-
687,823	-	687,823	112,490	-	-	19,062
84,008,691	26,896	84,035,587	125,628	20,469	824,214	19,062
(400,000)	400,000	-	-	-	-	-
83,608,691	426,896	84,035,587	125,628	20,469	824,214	19,062
(6,350,686)	(20,662)	(6,371,348)	675,988	949,500	19,064,631	248,012
54,375,768	5,416,883	59,792,651	13,428,111	1,515,678	215,860,566	4,380,574
\$ 48,025,082	\$ 5,396,221	\$ 53,421,303	\$ 14,104,099	\$ 2,465,178	\$ 234,925,197	\$ 4,628,586

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2019

	Governmental Fund Types				
	Major Funds			Total	Total
	General	Occupancy Tax Fund	Capital Improvements Fund	Non-Major Funds	Governmental Funds
Assets					
Cash and investments	\$ 40,918,087	\$ -	\$ 2,315,815	\$ 7,691,852	\$ 50,925,754
Receivables, net	13,617,271	1,396,925	158,841	1,493,783	16,666,820
Restricted cash and investments	1,628,379	-	-	2,001,451	3,629,830
Due from other funds	410,673	-	-	-	410,673
Due from component units	220,927	-	-	-	220,927
Total assets	\$ 56,795,337	\$ 1,396,925	\$ 2,474,656	\$ 11,187,086	\$ 71,854,004
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,639,658	\$ 942,214	\$ 570,317	\$ 163,466	\$ 4,315,655
Due to other funds	-	410,132	-	541	410,673
Total liabilities	2,639,658	1,352,346	570,317	164,007	4,726,328
Deferred Inflows of Resources	6,164,180	-	-	717,589	6,881,769
Fund balances:					
Restricted:					
Register of Deeds	204,369	-	-	-	204,369
Recreation Districts	33,898	-	-	-	33,898
Beach Nourishment	10,679,909	-	-	-	10,679,909
Stabilization by State Statute	8,143,941	-	-	-	8,143,941
Sheriff's fund	313,632	-	-	-	313,632
Health and mental health programs	484,242	-	-	-	484,242
Public safety	-	-	-	1,301,653	1,301,653
Rescue protection	-	-	-	1,081,077	1,081,077
Fire protection	-	-	-	1,521,484	1,521,484
Economic development	1,029,885	1,396,925	-	214,771	2,641,581
Committed:					
Taylor Extended Care	-	-	49,177	-	49,177
School capital	-	-	-	162,112	162,112
Community College capital	-	-	-	1,425,000	1,425,000
Assigned:					
Subsequent year's expenditures	5,300,000	-	90,000	-	5,390,000
County capital	-	-	1,765,162	4,599,393	6,364,555
Unassigned	21,801,623	(1,352,346)	-	-	20,449,277
Total fund balances	47,991,499	44,579	1,904,339	10,305,490	60,245,907
Total liabilities, deferred inflows of resources and fund balances	\$ 56,795,337	\$ 1,396,925	\$ 2,474,656	\$ 11,187,086	\$ 71,854,004

See Notes to Financial Statements.

Carteret County, North Carolina

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019**

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

Total fund balances for governmental funds	\$ 60,245,907
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	23,034,640
Net pension asset	176,611
Deferred outflows of resources related to pensions are not reported in the fund statements	5,396,505
Deferred outflows of resources related to OPEB are not reported in the fund statements	341,737
Deferred inflows of resources in the fund statements for taxes and special assessments receivable	4,102,871
Deferred inflows of resources related to pensions	(120,305)
Deferred inflows of resources related to OPEB	(466,244)
Accrued interest receivable deferred in the fund statements	1,061,919
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(277,674)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(47,070,604)
Charges related to advance refunding bond issue	1,599,719
Net position of governmental activities	<u>\$ 48,025,082</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2019

	Governmental Fund Types				
	Major Funds			Total	Total
	General	Occupancy Tax Fund	County Capital Improvement Fund	Non-Major Funds	Governmental Funds
Revenues					
Ad valorem taxes	\$ 47,219,127	\$ -	\$ -	\$ 7,136,846	\$ 54,355,973
Other taxes	16,042,982	7,716,833	-	2,298,165	26,057,980
Permits and fees	3,427,887	-	-	-	3,427,887
Intergovernmental	23,276,992	-	5,350,093	439,961	29,067,046
Sales and services	4,240,688	-	-	-	4,240,688
Interest	1,151,238	-	268,705	198,007	1,617,950
Miscellaneous	1,851,693	-	100,000	5,025	1,956,718
Total revenues	97,210,607	7,716,833	5,718,798	10,078,004	120,724,242
Expenditures					
Current:					
General government	9,049,444	-	-	-	9,049,444
Public safety	14,111,152	-	-	8,954,065	23,065,217
Transportation	1,537,681	-	-	-	1,537,681
Environmental protection	18,502,451	-	-	-	18,502,451
Economic and physical development	2,098,612	3,797,509	-	1,348	5,897,469
Human services	16,112,972	-	-	-	16,112,972
Culture and recreation	4,016,630	-	-	-	4,016,630
Education	26,180,114	-	-	-	26,180,114
Capital outlay	-	-	18,267,528	2,395,681	20,663,209
Debt service:					
Principal retirement	5,504,773	-	-	-	5,504,773
Interest and fees	1,160,362	-	-	-	1,160,362
Total expenditures	98,274,191	3,797,509	18,267,528	11,351,094	131,690,322
Excess (deficiency) of revenues over (under) expenditures	(1,063,584)	3,919,324	(12,548,730)	(1,273,090)	(10,966,080)
Other financing sources (uses)					
Transfer in	3,884,327	-	12,994,499	3,926,197	20,805,023
Transfers out	(16,666,812)	(3,884,327)	-	(653,884)	(21,205,023)
Total other financing sources (uses)	(12,782,485)	(3,884,327)	12,994,499	3,272,313	(400,000)
Net change in fund balance	(13,846,069)	34,997	445,769	1,999,223	(11,366,080)
Fund balances					
Beginning	61,837,568	9,582	1,458,570	8,306,267	71,611,987
Ending	\$ 47,991,499	\$ 44,579	\$ 1,904,339	\$ 10,305,490	\$ 60,245,907

See Notes to Financial Statements.

Carteret County, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ (11,366,080)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(51,998)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is an increase to net position.	56,435
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,627,505
OPEB benefit payments and administration cost in the current fiscal year are not included in the Statement of Activities	285,541
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	93,209
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of bond premiums and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	3,004,702
Total changes in net position of governmental activities	<u>\$ (6,350,686)</u>

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2019**

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 46,620,000	\$ 46,620,000	\$ 47,219,127	\$ 599,127
Other taxes	15,237,000	15,237,000	16,042,982	805,982
Permits and fees	3,195,385	3,410,385	3,427,887	17,502
Intergovernmental	13,028,725	28,788,248	23,276,992	(5,511,256)
Sales and services	4,094,500	4,179,210	4,240,688	61,478
Interest	300,000	300,000	1,151,238	851,238
Miscellaneous	83,700	1,388,045	1,851,693	463,648
Total revenues	82,559,310	99,922,888	97,210,607	(2,712,281)
Expenditures				
Current:				
General government	8,177,335	9,773,586	9,049,444	724,142
Public safety	13,367,890	14,769,877	14,111,152	658,725
Transportation	1,412,080	1,567,736	1,537,681	30,055
Environmental protection	4,061,475	18,667,074	18,502,451	164,623
Economic and physical development	2,520,175	2,822,377	2,098,612	723,765
Human services	17,390,970	18,246,684	16,112,972	2,133,712
Culture and recreation	3,684,985	4,220,534	4,016,630	203,904
Education	26,604,455	26,684,550	26,180,114	504,436
Debt service:				
Principal retirement	5,618,500	5,618,500	5,504,773	113,727
Interest and fees	1,170,600	1,170,600	1,160,362	10,238
Total expenditures	84,008,465	103,541,518	98,274,191	5,267,327
Revenues over (under) expenditures	(1,449,155)	(3,618,630)	(1,063,584)	2,555,046
Other financing sources (uses)				
Transfers in	3,979,350	3,979,350	3,884,327	(95,023)
Transfers out	(4,295,700)	(16,666,812)	(16,666,812)	-
Contingency reserves	(3,658,925)	(3,044,653)	-	3,044,653
Appropriated fund balance	5,424,430	19,350,745	-	(19,350,745)
Total other financing sources (uses)	1,449,155	3,618,630	(12,782,485)	(16,401,115)
Net change in fund balance	\$ -	\$ -	(13,846,069)	\$ (13,846,069)
Fund balances				
Beginning			61,837,568	
Ending			<u>\$ 47,991,499</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Occupancy Tax Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Other taxes:				
Occupancy taxes	\$ 7,850,000	\$ 7,850,000	\$ 7,706,734	\$ (143,266)
Occupancy taxes, penalties and interest	20,000	20,000	10,099	(9,901)
Total revenues	7,870,000	7,870,000	7,716,833	(153,167)
Expenditures				
Economic and physical development:				
Tourism:				
Tourism Development Authority	3,890,650	3,890,650	3,797,509	93,141
Total expenditures	3,890,650	3,890,650	3,797,509	93,141
Revenues over expenditures	3,979,350	3,979,350	3,919,324	(60,026)
Other financing uses				
Transfers out	(3,979,350)	(3,979,350)	(3,884,327)	95,023
Total other financing uses	(3,979,350)	(3,979,350)	(3,884,327)	95,023
Revenues over expenditures and other uses	\$ -	\$ -	34,997	\$ 34,997
Fund balances				
Beginning			9,582	
Ending			<u>\$ 44,579</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 5,114,670	\$ 5,350,093	\$ 235,423
Interest	5,000	5,000	268,705	263,705
Miscellaneous	100,000	100,000	100,000	-
Total revenues	105,000	5,219,670	5,718,798	499,128
Expenditures				
Capital outlay:				
Aerial pictometry	90,000	90,000	95,824	(5,824)
Waterway dredging	500,000	906,610	516,576	390,034
Beach replenishment	-	17,170,113	17,029,818	140,295
Taylor Extended Care improvements	50,000	50,000	25,259	24,741
Cape Carteret trail	125,000	125,000	125,000	-
Newport sidewalk	50,000	50,000	50,000	-
Cedar Point project match	60,000	60,000	-	60,000
Park improvements	-	91,620	-	91,620
Scenic Byway	-	71,245	71,241	4
Water Access	-	74,000	74,000	-
Capital improvements	-	150,500	-	150,500
Western Library addition	350,000	350,000	279,810	70,190
Total expenditures	1,225,000	19,189,088	18,267,528	921,560
Revenues over (under) expenditures	(1,120,000)	(13,969,418)	(12,548,730)	1,420,688
Other financing sources				
Transfer from General Fund	600,000	12,766,113	12,766,113	-
Transfer from Other Funds	-	228,500	228,386	(114)
Fund balance appropriated	520,000	974,805	-	(974,805)
Total other financing sources	1,120,000	13,969,418	12,994,499	(974,919)
Revenues and other financing sources over expenditures	\$ -	\$ -	445,769	\$ 445,769
Fund balances				
Beginning			1,458,570	
Ending			<u>\$ 1,904,339</u>	

See Notes to Financial Statements

Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund
June 30, 2019

	Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,139,758
Receivables, net	78,478
Restricted cash and cash equivalents	43,932
Total current assets	1,262,168
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	6,265,763
Total capital assets	6,488,371
Total noncurrent assets	6,488,371
Total assets	7,750,539
Deferred outflows of resources	58,009
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	59,658
Customer deposits	107,000
Accrued interest payable	6,995
Current portion of long-term liabilities	197,049
Total current liabilities	370,702
Noncurrent liabilities	
Installment loan payable and long-term liabilities	1,887,754
Net pension liability	66,246
Total OPEB liability	81,695
Total noncurrent liabilities	2,035,695
Total liabilities	2,406,397
Deferred inflows of resources	5,930
Net Position	
Net investment in capital assets	4,422,243
Unrestricted	973,978
Total net position	\$ 5,396,221

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2019

	Water Fund
Operating revenues	
Charges for services	\$ 680,476
Other operating revenues	31,256
Total operating revenues	<u>711,732</u>
Operating expenses	
Water plant operations	729,963
Depreciation	369,612
Total operating expenses	<u>1,099,575</u>
Operating loss	<u>(387,843)</u>
Nonoperating revenues (expenses)	
Interest revenue	26,166
Interest expense	(59,715)
Gain on sale of asset	730
Total nonoperating revenues (expenses)	<u>(32,819)</u>
Loss before contributions and transfers	(420,662)
Transfers in	400,000
Change in net position	<u>(20,662)</u>
Total net position	
Beginning	5,416,883
Ending	<u><u>\$ 5,396,221</u></u>

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2019**

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 677,970
Cash paid for goods and services	(399,081)
Cash paid to employees for services	(299,924)
Customer deposits received	3,200
Other operating revenues	21,011
Net cash provided by operating activities	<u>3,176</u>
Cash flows from noncapital financing	
Transfers in	400,000
Net cash provided by noncapital financing	<u>400,000</u>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(189,032)
Interest paid on installment debt	(60,568)
Proceeds on disposal of equipment	4,890
Capital purchase	(25,500)
Net cash used by capital and related financing activities	<u>(270,210)</u>
Cash flows provided by investing activities	
Interest on investments	26,166
Net increase in cash and cash equivalents	159,132
Cash and cash equivalents:	
Beginning	1,024,558
Ending (including restricted of \$43,932)	<u><u>\$ 1,183,690</u></u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)
Year Ended June 30, 2019

	Water Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (387,843)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	369,612
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Increase in accounts receivable	(12,751)
Increase in accounts payable and accrued liabilities	27,379
Increase in customer deposits	3,200
Increase in accrued vacation pay	2,729
Increase in deferred outflows of resources - pensions	(15,396)
Decrease in deferred outflows of resources - OPEB	157
Increase in net pension liability	18,268
Decrease in total OPEB liability	(2,464)
Decrease in deferred inflows of resources - pensions	(1,161)
Increase in deferred inflows of resources - OPEB	1,446
Net cash provided by operating activities	\$ 3,176

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u><u>\$ 147,183</u></u>
Liabilities	
Accounts payable and accrued liabilities	<u><u>\$ 147,183</u></u>

See Notes to Financial Statements.

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.

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

Nature of operations

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

Reporting entity

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

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

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

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

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

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

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

Notes to Financial Statements

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

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

The following corporation is included as a blended component unit:

County of Carteret Public Facilities Financing Corporation ("Corporation"): The Corporation is a nonprofit corporation. The Corporation was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the Corporation. The Corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund as of and for the year ended June 30, 2015 and subsequent years.

Summary of significant accounting policies

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

Basis of presentation

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

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

Notes to Financial Statements

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

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

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

The County reports the following major governmental funds:

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

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

County Capital Improvements Fund: This fund is used to account for financial resources that fund capital improvements for the county.

The County reports the following major enterprise fund:

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

The County reports the following fiduciary fund types:

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

Non-major Funds: The County maintains fifteen non-major funds. The Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, Water Tax District Fund, Salter Path District Beach Nourishment Fund, and 2014 Flood Mitigation Fund are reported as non-major special revenue funds. The County Capital Reserve Fund, County Facilities Debt Reserve Fund, School Special Projects Fund, County Construction Projects Fund, 2015 School Bond Project Fund, and Carteret Community College Project Fund are reported as capital projects funds.

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

Measurement focus and basis of accounting

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

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

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

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

Budgets and budgetary accounting: The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding the 2014 Flood Mitigation Fund), the capital projects funds (excluding the County Construction Projects Fund, 2015 School Bond Project Fund, and Carteret Community College Fund) and the Water Operating fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

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

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

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

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total for the general fund and the special revenue funds, and at the fund level for the capital projects funds. All budgets are fixed in nature. The County Manager is authorized to approve transfers between departments not to exceed \$30,000. Transfers between departments that exceed \$30,000 or any transfers between funds require Board approval. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance

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

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

The majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost, which approximate fair value. The NC Capital Management Trust Government (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

Cash and cash equivalents: The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments of the Water Enterprise Fund in the pool are essentially demand deposits and are considered cash and cash equivalents for purposes of reporting cash flows. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each quarter. The County's component units consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

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

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

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

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

Levy date	July 1
Due date (lien date)	September 1
Past due date	January 6

The taxes for the current fiscal year are generally based on January 1, 2018 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 net realizable value. The Hospital inventory consists of expendable items, including pharmaceuticals and general supplies, held for sale to patients or consumption. The Hospital inventories are recorded as expenses when consumed rather than when purchased. The ABC Board inventory consists of alcoholic beverages held for sale.

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

Capital assets: Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the government-wide financial statements as capital assets of governmental activities. Capital assets are capitalized in proprietary fund financial statements and in business-type activities of the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County has no significant amount, other than the water system, of public domain or infrastructure capital assets. Minimum capitalization costs are as follows: buildings, improvements, and infrastructure, \$50,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend assets’ lives are not capitalized.

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

Notes to Financial Statements

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

Capital assets of the Hospital, the ABC Board, the Airport, and the TDA are recorded at original cost at the time of acquisition. Capital assets donated to these entities for operations are recorded at the estimated fair market value at the date of donation or acquisition value after July 1, 2015. Any interest incurred during the construction phase of the capital assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. The County owns legal title to all Hospital facilities and improvements under a lease agreement, which allows the Hospital unrestricted use of those facilities. The County's policy is to report these assets in the Hospital component unit.

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

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

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

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

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

Deferred outflows/inflows of resources: In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion- a charge on refunding, pension and OPEB related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of net position and balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension and OPEB related deferrals.

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

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

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

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

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

In accordance with GASB Statement No. 23, as amended by GASB Statement No. 63, an unamortized charge, the difference between the reacquisition price and the net carrying amount of old debt on refunding of debt, is deferred and amortized to interest expense using the proportionate-to-stated-interest method in governmental activities. The unamortized charge is reported as a deferred outflow of resources.

Bond premiums: In the government-wide and proprietary fund financial statements, bond premiums are amortized over the life of the bonds using the proportionate-to stated-interest method. Long-term debt is reported inclusive of the applicable bond premium. In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums received on debt issuances are reported as other financing sources.

Net position/fund balances:

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

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

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the County's restricted fund balances as of June 30, 2019:

- Restricted for Register of Deeds — portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.
- Restricted for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Restricted for Beach Nourishment — represents amount reserved for beach nourishment. Restricted for Beach Nourishment includes the amount of accounts receivable at June 30, 2019. This is done due to the great reliance of this restricted amount by the Board of Commissioners and the Beach Commission.

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

- Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stands at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by laws through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet. Restricted for Stabilization by State Statute does not include the accounts receivable amount for beach nourishment. Instead, that receivable amount is included in the restricted for beach nourishment. The purpose for that is due to the reliance of the Board of Commissioners and the Beach Commission on the Restricted for Beach Nourishment balance.
- Restricted for Sheriff's fund – represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Restricted for Health programs – represents amounts restricted to expenditures in specific health programs.
- Restricted for Public Safety – represents amounts restricted to expenditures relating to the Emergency Telephone System Fund.
- Restricted for Rescue Protection – portion of fund balance that is restricted by revenue source for rescue protection expenditures.
- Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.
- Restricted for Economic Development – portion of fund balance that can only be used for economic development purposes derived from Industrial Park lot sales and proceeds from the former Eastern Region.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Commissioners. This action is accomplished by a formal motion and approval vote by a majority of the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2019:

- Committed for School Capital – portion of fund balance that can only be used for school capital projects.
- Committed for Taylor Extended Care – portion of fund balance that can only be used for maintenance of Taylor Extended Care.
- Committed for Community College Capital – portion of fund balance that can only be used for community college capital projects.
- Committed for Special Revenue Funds – portion of fund balance that is appropriated in the next year's budget. The governing budget approves the appropriation.

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

Assigned Fund Balance - portion of fund balance that the Carteret County governing board has budgeted. Only the governing board (County Board of Commissioners) has authority to assign amounts to a specific purpose, and that requires a majority vote of the governing board. The following are the County's assigned fund balances as of June 30, 2019:

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

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

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

Carteret County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that requires the County to maintain a 15% unassigned fund balance in the General Fund. The General Fund is the only governmental fund where it is appropriate to report a positive unassigned fund balance amount.

Defined Benefit Pension Plans: The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$12,220,825) consists of several elements as follows:

Notes to Financial Statements

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

Description	Amount
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 62,071,971
Less accumulated depreciation	39,037,331
Net capital assets	23,034,640
Net pension asset	176,611
Deferred outflows of resources related to pensions are not reported in the fund statements	5,396,505
Deferred outflows of resources related to OPEB are not reported in the fund statements	341,737
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	1,599,719
Accrued interest receivable	1,061,919
Liabilities for deferred inflows of resources reported in the fund statements but not in the government-wide statements	4,102,871
Deferred inflows of resources related pensions	(120,305)
Deferred inflows of resources related to OPEB	(466,244)
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	(28,801,102)
Premiums on refundings	(1,845,515)
Accrued interest payable	(277,674)
Compensated absences	(1,591,186)
Accrued postemployment and retirement obligations	(14,832,801)
Long-term liabilities	(47,348,278)
Total adjustment	\$ (12,220,825)

Notes to Financial Statements

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

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$5,015,394 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,273,420
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	(2,325,418)
Gain on disposed capital assets not recorded in the fund statements	56,435
Principal payments on debt owed are recorded as an use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	5,504,773
Bond premiums and other similar items, are amortized in the government-wide statements but not in the fund statements because they do not use current resources.	3,106
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,627,505
OPEB benefit payments and administrative cost made in the current fiscal year are not included in the Statement of Activities	285,541
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	(58,608)
OPEB expense	(492,882)
County's portion of collective pension expense	(2,008,051)
Decrease in interest payable on long-term debt at June 30, 2019	56,364
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources - taxes receivable - as of June 30, 2019	82,417
Increase in accrued interest on taxes receivable for year ended June 30, 2019	10,792
Total adjustment	\$ 5,015,394

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability

Component Unit information:

For the ABC Board for the fiscal year ended June 30, 2019, the expenditures made in the Proprietary Fund exceeded the authorized appropriations made by the governing board by \$463,552. This over expenditure occurred because of greater than anticipated growth in sales that influence increases in taxes based on revenues, operating expenses, and distributions based on increase in profits available for distributions. ABC Board and management will review its estimates and monitor its budget reports for excess expenditures to ensure compliance in future years.

Note 3. Cash and Investments

Cash on hand: The County had \$2,270 in petty cash on hand at June 30, 2019.

Component unit information: The Hospital had \$6,806 in cash on hand at September 30, 2018.

Deposits:

All deposits of the County and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the units' agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the units, these deposits are considered to be held by their agents in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability and minimum capitalization for each depository that collateralizes public deposits under the Pooling Method. The County and its component units do not have formal policies regarding custodial credit risk for deposits and rely on the State Treasurer to monitor those financial institutions. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the County's unrestricted and restricted deposits, excluding petty cash and agency fund deposits had a carrying amount of \$12,678,706 and a bank balance of \$13,438,385. Of the bank balance, \$283,526 was covered by federal depository insurance and \$13,154,859 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$2,105,372 are as follows: held in noninterest-bearing deposits for banking services in the amount of \$38,599, \$21,390 for capital projects, \$2,001,451 is restricted for fire and rescue special taxing districts, and \$43,932 in the Water Fund is restricted in accordance with the County's USDA revenue bond requirements.

At June 30, 2019, the County's agency fund deposits had a carrying amount of \$147,183 and a bank balance of \$241,430. All of the bank balance was covered by federal depository insurance.

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Component unit information:

At June 30, 2019, the carrying amount of deposits for the TDA with financial institutions was \$438,661 and the bank balance was \$639,037. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, the carrying amount of deposits for the Airport was \$931,645 and the bank balance was \$965,007. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2018, the carrying amount of the Hospital's deposits was \$63,311,961 and the bank balance was \$64,944,061. Of the carrying amount, \$6,806 was cash on hand. Of the bank balance, \$2,000,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2019 the carrying amount of deposits for the ABC Board was \$1,793,801 and the bank balance was \$1,575,705. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2019, the County had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than 1 Year	1-5 Years
Commercial Paper	Fair Value - Level 2	\$ 10,064,354	\$ 10,064,354	\$ -
US Government Agencies	Fair Value - Level 2	17,569,940	4,564,794	13,005,146
NC Capital Management Trust Government Portfolio	Fair Value - Level 1	6,902,538	6,902,538	N/A
NC Capital Management Trust Term Portfolio*	Fair Value - Level 1	8,521,466	8,521,466	-
Total		\$ 43,058,298	\$ 30,053,152	\$ 13,005,146

*As of June 30, 2019, the NC Capital Management Trust Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

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

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.

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 has no formal policy on managing credit risk. As of June 30, 2019, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Government Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank) are rated 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 Commercial Paper, \$10,064,354 (23.37%), Freddie Mac Securities, \$8,004,879 (18.59%), Federal Home Loan Bank Securities, \$5,568,640 (12.93%), and Federal Farm Credit Securities, \$3,996,421 (9.28%). 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, 2019, the County had restricted investments in the governmental activities of \$1,568,390. In the General Fund these are restricted investments for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2019, the TDA had \$1,192,269 invested in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The TDA has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net position.

At September 30, 2018 the Hospital had the following investments and maturities.

The Hospital has \$3,674,554 certificates of deposit and \$412,944 of cash and cash equivalents included in assets limited as to use and investments for capital improvements as of September 30, 2018, which are not included in the fair value hierarch.

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Investment Type	Valuation Measurement Method	Fair Value	Less Than 1 Year	1-4 Years
US Treasury bonds	Fair Value - Level 2	1,048,771	1,048,771	-
FHLMC	Fair Value - Level 2	17,111,671	-	17,111,671
FNMA	Fair Value - Level 2	37,649,661	-	37,649,661
GNMA	Fair Value - Level 2	20,467,550	-	20,467,550
Mutual funds	Fair Value - Level 1	1,477,164	1,477,164	-
Exchange-traded funds	Fair Value - Level 1	2,973,524	2,973,524	-
Common stocks	Fair Value - Level 1	786,603	786,603	-
Corporate bonds	Fair Value - Level 2	1,248,316	1,248,316	-
Total		\$ 82,763,260	\$ 7,534,378	\$ 75,228,882

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

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

Credit Risk. The Hospital has a Board-approved Investment Policy which is designed to mitigate credit risk, interest rate risk, and liquidity risk. These principles include, but are not limited to, diversification both between and within asset classes, quality stipulations appropriate to various types of investments, and ongoing monitoring of portfolio performance by the Board and Investment Committee, Management, and the Hospital's Investment Manager. Such practices support the stated objectives for the Hospital's total portfolio performance, which are to provide a reasonable level of current income while minimizing the likelihood of capital loss, and to maximize total return within defined risk parameters.

Concentration of Credit Risk. Per the Hospital's Investment Policy, the investment portfolio will be diversified among different issuers within each sector with no one issuer accounting for more than 10% of the portfolio at time of purchase unless it is an obligation of the US government or its agencies. The portfolio will be diversified among different fixed income sectors and different issues within each sector with no one issue accounting for more than 5% of the portfolio at time of purchase unless it is an obligation of the US government or its agencies.

Interest Rate Risk. Interest rate risk is mitigated through the use of both market and short-term components of the fixed income portfolio, and the requirement that the durations of these funds fall within acceptable ranges set forth in the Investment Policy. This is achieved by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing funds primarily in shorter-term securities.

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, 2019:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 1,061,919	\$ -	\$ 1,061,919
Taxes	3,575,933	-	3,575,933
Accounts	1,277,307	68,233	1,345,540
Intergovernmental	10,527,092	10,245	10,537,337
Other	1,396,925	-	1,396,925
Gross receivables	17,839,176	78,478	17,917,654
Less allowance for uncollectibles	(110,437)	-	(110,437)
Net total receivables	\$ 17,728,739	\$ 78,478	\$ 17,807,217

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
2016	\$ 455,594	\$ 108,204	\$ 563,798
2017	462,294	68,188	530,482
2018	483,707	27,813	511,520
2019	485,872	-	485,872
Total	\$ 1,887,467	\$ 204,205	\$ 2,091,672

Component unit information

The Hospital's receivables of \$30,689,936 are net of an allowance for doubtful accounts of approximately \$63,210,472. Approximately 62% of the Hospital's revenue is from the Medicare and Medicaid programs.

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets

The following is a summary of changes in the County's capital assets during the fiscal year ended June 30, 2019:

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	5,056,328	427,903	-	-	5,484,231
Construction in progress	2,711,894	353,810	-	(2,687,447)	378,257
Total capital assets not being depreciated	7,937,771	781,713	-	(2,687,447)	6,032,037
Capital assets, being depreciated:					
Buildings	25,785,376	26,600	-	2,687,447	28,499,423
Vehicles	5,733,736	1,056,546	(382,577)	-	6,407,705
Equipment	6,035,043	468,631	(135,847)	-	6,367,827
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	10,766,748	-	(116,944)	-	10,649,804
Leasehold improvements	2,590,428	-	-	-	2,590,428
Total capital assets being depreciated	52,436,078	1,551,777	(635,368)	2,687,447	56,039,934
Less accumulated depreciation for:					
Buildings	19,448,179	788,102	-	-	20,236,281
Vehicles	4,178,385	540,296	(382,577)	-	4,336,104
Equipment	4,919,368	437,202	(132,212)	-	5,224,358
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	6,245,993	430,297	(116,944)	-	6,559,346
Leasehold improvements	1,026,974	129,521	-	-	1,156,495
Total accumulated depreciation	37,343,646	\$ 2,325,418	\$ (631,733)	\$ -	39,037,331
Total capital assets, being depreciated, net	15,092,432				17,002,603
Governmental activity capital assets, net	\$ 23,030,203				\$ 23,034,640

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

Governmental activities:	
General government	\$ 493,370
Public Safety	667,344
Transportation	129,033
Economic & Physical Development	103,027
Human Services	318,314
Culture & Recreation	565,329
Environmental Protection	49,001
Total depreciation expense - governmental activities	\$ 2,325,418

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2018	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2019
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 222,608	\$ -	\$ -	\$ -	\$ 222,608
Total capital assets, not being depreciated	222,608	-	-	-	222,608
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	9,618,564	-	-	-	9,618,564
Vehicles	75,129	-	-	-	75,129
Equipment	140,848	25,500	(6,870)	-	159,478
Total capital assets, being depreciated	11,953,805	25,500	(6,870)	-	11,972,435
Less accumulated depreciation for:					
Buildings	1,036,084	70,642	-	-	1,106,726
Infrastructure	4,133,352	277,548	-	-	4,410,900
Vehicles	39,497	9,104	-	-	48,601
Equipment	130,837	12,318	(2,710)	-	140,445
Total accumulated depreciation	5,339,770	\$ 369,612	\$ (2,710)	\$ -	5,706,672
Total capital assets, being depreciated, net	6,614,035				6,265,763
Business-type activities capital assets, net	\$ 6,836,643				\$ 6,488,371

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

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Discretely presented component unit information

The following is a summary of the Hospital's capital assets at September 30, 2018:

	Balance September 30, 2017	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2018
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 92,182	\$ 1,458,990	\$ -	\$ (1,420,670)	\$ 130,502
Land	3,437,515	-	-	(321,522)	3,115,993
Total capital assets, not being depreciated	3,529,697	1,458,990	-	(1,742,192)	3,246,495
Capital assets, being depreciated:					
Land improvements	1,323,208	-	-	66,683	1,389,891
Buildings and improvements	80,985,221	6,461	-	1,338,362	82,330,044
Equipment	88,655,341	7,763,951	-	(149,737)	96,269,555
Total capital assets, being depreciated	170,963,770	7,770,412	-	1,255,308	179,989,490
Less accumulated depreciation:					
Land improvements	920,867	62,169	-	-	983,036
Buildings and improvements	21,441,736	2,492,773	-	-	23,934,509
Equipment	69,225,408	5,175,900	-	(482)	74,400,826
Total accumulated depreciation	91,588,011	\$ 7,730,842	\$ -	\$ (482)	99,318,371
Total capital assets, being depreciated, net	79,375,759				80,671,119
Capital assets, net	\$ 82,905,456				\$ 83,917,614

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, 2019:

Land	\$ 1,125,478
Construction in progress	95,724
Buildings	2,907,679
Furniture and equipment	1,563,168
Leasehold improvements	87,961
Building improvements	3,841
	5,783,851
Less accumulated depreciation	2,658,259
	\$ 3,125,592

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

The following is a summary of the Airport's capital assets at June 30, 2019:

Construction in progress	\$ 1,277,472
Land	1,516,047
Aviation easement	577,000
Equipment	178,159
Vehicle	24,066
Hangers	946,373
Land/runway improvements	11,264,413
	<u>15,783,530</u>
Less accumulated depreciation	2,540,651
	<u><u>\$ 13,242,879</u></u>

The following is a summary of the TDA's capital assets at June 30, 2019:

Buildings	\$ 276,000
Other improvements	69,523
Equipment	99,833
Vehicles	32,291
	<u>477,647</u>
Less accumulated depreciation	164,443
	<u><u>\$ 313,204</u></u>

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, 2019, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,587,093	\$ 1,052,565	\$ 2,639,658
Occupancy Tax	942,214	-	942,214
Capital Improvements	570,317	-	570,317
Other governmental	163,466	-	163,466
Total governmental activities (1)	<u><u>\$ 3,263,090</u></u>	<u><u>\$ 1,052,565</u></u>	<u><u>\$ 4,315,655</u></u>
Business-type activities:			
Water	\$ 48,205	\$ 11,453	\$ 59,658
Total business - type activities	<u><u>\$ 48,205</u></u>	<u><u>\$ 11,453</u></u>	<u><u>\$ 59,658</u></u>

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

Carteret County, North Carolina

Notes to Financial Statements

Note 7. Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources on the government-wide statements and the balance in deferred inflows of resources on the fund statements and government-wide statements at year-end are composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred outflows/inflows of resources on the government-wide statements:		
Charges on refunding of debt	\$ 1,599,719	\$ -
Unearned revenue	-	2,719,648
Difference between expected and actual experience		
Pensions	1,013,463	65,888
OPEB	56,833	-
Pensions - difference between projected and actual investment earnings	928,513	-
Changes in assumptions		
Pensions	1,749,223	-
OPEB	-	471,525
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	115,547	55,066
Contributions to plans in fiscal year 2019		
Pensions	1,643,897	-
OPEB	288,775	-
Prepaid taxes not yet earned (General)	-	59,250
Total	\$ 7,395,970	\$ 3,371,377

Deferred outflows / inflows of resources on the fund statements:

Prepaid taxes not yet earned (General)	\$ -	\$ 59,250
FEMA revenue not yet earned (General)	-	2,719,648
Taxes receivable, net (General)	-	2,747,906
Taxes receivable, net (Special Revenue)	-	717,589
Solid waste fees receivable (General)	-	637,376
Total	\$ -	\$ 6,881,769

Note 8. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$2 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

The County carries flood insurance for properties located in the AE zone. For health and dental insurance, the County is insured through a commercial carrier.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a \$250,000 blanket bond.

Component Unit Information:

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

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 for specified aggregate amounts in excess of the basic coverage.

The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

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

The Airport has property and general liability insurance coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Airport carries commercial coverage for all risks of loss. Through this coverage, the Authority obtains general liability coverage of \$5,000,000 per occurrence and property coverage up to the total insured values of the property.

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 payments are appropriated when due. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this Agreement. The County's general obligation bonds payable at June 30, 2019, are comprised of the following individual issues:

\$4,780,000 - 2011 Refunding Carteret Community College bond due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 5.00%	\$ 165,000
\$12,700,000 - 2013 Refunding of 2006 School bond due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4.00% to 5.00%	8,830,000
\$12,250,000 - 2015 Refunding of 2007 School bond due on October 1 and April 1 in varying installments through April 1, 2027; interest rate at 2.13%	9,195,000
\$4,600,000 - 2015 School bond, due on November 1 and May1 in varying installments through November 1, 2035; interest at interest rates ranging from 3.00% to 5.00%	3,910,000
	<u>\$ 22,100,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 2,965,000	\$ 784,642
2021	2,785,000	673,989
2022	2,770,000	571,761
2023	2,755,000	469,711
2024	2,745,000	367,836
2025 – 2029	6,470,000	627,209
2030 – 2034	1,150,000	156,688
2035 – 2036	460,000	14,227
	<u>\$ 22,100,000</u>	<u>\$ 3,666,063</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities and for the construction of Board of Education properties. These obligations are serviced by the General Fund. The County's certificates of participation at June 30, 2019, are comprised of the following:

\$4,680,000 - 2011 limited obligation bonds due on December 1 and June 1 in varying installments through June 1, 2022, interest at 2.51% collateralized by the Western Library and the Beaufort Elementary School	<u>\$ 1,290,000</u>
--	----------------------------

Annual debt service requirements to maturity for certificates of participation as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 435,000	\$ 47,350
2021	430,000	29,950
2022	425,000	12,750
	<u>\$ 1,290,000</u>	<u>\$ 90,050</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Installment Purchase Obligations

As authorized by State law, G.S. 160A-20 and 153A-153.1, the County has entered into various installment-financing agreements in a direct placement for equipment and capital improvements. The installment purchases issued pursuant to a deed of trust because as long as the debt is outstanding the property is pledged as collateral for the debt. The County's installment-financing agreements at June 30, 2019, are comprised of the following:

Governmental activities (serviced by the General Fund):

\$2,000,000 - Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008, held by Bank of America	\$ 2,000,000
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010, held by Galena Bank & Trust	611,354
\$9,275,000 - 2009 governmental office space renovation and refunding of 2000 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2020, interest at 3.59% collateralized by Newport Middle School and the County Health Center, held by BB&T	710,000
\$4,000,000 QZAB - Renovations of East Carteret High School for 13 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 5.22%, held by BB&T	1,538,462
\$1,653,860 QSCB - Renovations of schools for 12 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 4.81%, held by BB&T	551,286
	<u>5,411,102</u>

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

\$589,608 - Construction of water treatment and distribution facilities for 19 consecutive installments, beginning in fiscal year 2004-2005, including interest at 5.75% annual funds provided by State Revolving Fund, held by NCDENR	124,128
\$2,800,000 - Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%, funds provided by State Revolving Fund, held by NCDENR	980,000
	<u>1,104,128</u>
	<u>\$ 6,515,230</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, 2019, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,275,514	\$ 132,314	\$ 171,032	\$ 28,746	\$ 1,446,546	\$ 161,060
2021	565,514	84,134	171,032	23,875	736,546	108,009
2022	2,570,514	61,443	171,032	19,004	2,741,546	80,447
2023	570,513	38,752	171,032	14,132	741,545	52,884
2024	429,047	16,061	140,000	9,261	569,047	25,322
2025 – 2029	-	-	280,000	9,261	280,000	9,261
	<u>\$ 5,411,102</u>	<u>\$ 332,704</u>	<u>\$ 1,104,128</u>	<u>\$ 104,279</u>	<u>\$ 6,515,230</u>	<u>\$ 436,983</u>

Revenue Bond

\$1,046,000 USDA water revenue bond issued on November 26, 2012; interest at 2.75%

bonds due on June 1 in varying installments through June 1, 2052

\$ 962,000

Annual debt service requirements to maturity for revenue bonds June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 18,000	\$ 26,455
2021	19,000	25,960
2022	19,000	25,438
2023	20,000	24,915
2024	20,000	24,365
2025-2029	110,000	113,191
2030-2034	127,000	97,157
2035-2039	145,000	78,789
2040-2044	165,000	57,750
2045-2049	190,000	33,687
2050-2052	129,000	7,149
	<u>\$ 962,000</u>	<u>\$ 514,856</u>

The County has pledged future water revenues, net of specified operating expenses, to repay the revenue bond issued on November 26, 2012. The County is in compliance with the covenants contained in the USDA bond order as set forth in Article V through VII. The significant bond covenants require: a) that the net revenues (excluding depreciation) for each fiscal year shall not be less than 110% of the debt service requirement for such Fiscal Year and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that Fiscal Year with respect to the County's general obligation bonds and installment financing obligations, if used to finance System Improvements and b) The County shall establish a Debt Service Reserve account to provide for at least one average annual loan installment.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The net revenues coverage calculation for the year ended June 30, 2019, is as follows:

Water Revenue Bond Covenant Compliance Calculation

Operating revenues	\$ 711,732
Operating expenses *	(726,384)
Operating income	(14,652)
Nonoperating revenues (expenses)**	26,166
Nonoperating revenues (expenses)**	(25,500)
Miscellaneous revenues and transfers	400,000
Net revenues available for debt service	<u>\$ 386,014</u>
110% of FY 18-19 revenue bond debt service requirement	\$ 49,445
100% of FY 18-19 DENR installment loan debt service requirement	204,650
Total FY 18-19 debt service subject to net revenue covenant compliance	<u>\$ 254,095</u>
Debt Service coverage ratio	152%

* Per covenants, this does not include depreciation expense of \$369,912.

** Per covenants, this does not include revenue bond and installment interest paid of \$60,568.

Advance Refundings:

On April 25, 2013, the County issued \$12,700,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$13,400,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

On March 12, 2015, the County issued \$12,250,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$11,300,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$50,000 relates to assets for which the County holds title. No restricted cash relates to this debt amount.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2019:

	Beginning Balance June 30, 2018	Additions	Retirements	Ending Balance June 30, 2019	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 25,725,000	\$ -	\$ 3,625,000	\$ 22,100,000	\$ 2,965,000
Certificates of participation	1,730,000	-	440,000	1,290,000	435,000
Bond premiums	2,131,480	-	285,965	1,845,515	-
Total bonds payable	29,586,480	-	4,350,965	25,235,515	3,400,000
Direct placement installment purchase	6,850,875	-	1,439,773	5,411,102	1,275,514
Compensated absences	1,532,578	1,352,289	1,293,681	1,591,186	1,060,669
Net pension liability (LGRS)	4,235,757	2,257,048	-	6,492,805	-
Total pensions liability (LEOSSA)	1,108,206	19,294	-	1,127,500	-
Total OPEB liability	7,146,012	66,484	-	7,212,496	-
Governmental activity long-term liabilities	\$ 50,459,908	\$ 3,695,115	\$ 7,084,419	\$ 47,070,604	\$ 5,736,183
Business-type activities:					
Revenue Bond from direct placement	\$ 980,000	\$ -	\$ 18,000	\$ 962,000	\$ 18,000
Direct placement installment purchase	1,275,160	-	171,032	1,104,128	171,032
Compensated absences	15,946	10,499	7,770	18,675	8,017
Net pension liability (LGRS)	47,978	18,268	-	66,246	-
Total OPEB liability	84,159	-	2,464	81,695	-
Business-type activity long-term liabilities	\$ 2,403,243	\$ 28,767	\$ 199,266	\$ 2,232,744	\$ 197,049

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

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a Last-In, First-Out ("LIFO") basis, assuming that employees are taking leave as it is earned.

At June 30, 2019, Carteret County had a legal debt margin of \$1,176,982,519.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2018. The leases expire at various dates through 2018 and have a present value of minimum lease payments of \$2,385,381.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Minimum annual lease payments for years subsequent to September 30, 2018, are as follows:

Year Ending September 30,	Amount
2019	\$ 821,557
2020	569,556
2021	569,556
2022	569,556
2023	2,516
Total minimum lease payments	2,532,741
Less amount representing interest 2.67%	(147,360)
Present value of net minimum lease obligations	2,385,381
Less current maturities	(742,789)
Obligations under capital leases, less current maturities	<u>\$ 1,642,592</u>

Assets under capital leases had a cost basis of \$2,669,032 and accumulated depreciation on these assets of \$266,903 at September 30, 2018.

The following is a summary of changes in the Tourism Development Authority's long-term obligations for the fiscal year ended June 30, 2019.

	Beginning Balance June 30, 2018	Additions	Retirements	Ending Balance June 30, 2019	Due Within One Year
Governmental activities:					
Compensated absences	\$ 11,586	\$ 4,538	\$ -	\$ 16,124	\$ 4,031
Governmental activity					
long-term liabilities	<u>\$ 11,586</u>	<u>\$ 4,538</u>	<u>\$ -</u>	<u>\$ 16,124</u>	<u>\$ 4,031</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The ABC Board's accumulated earned vacation at June 30, 2019, amounted to approximately \$49,047. This amount is included in accounts payable.

The Airport Authority's long-term obligations as of June 30, 2019 are as follows:

In March 2017, the Authority entered into a \$92,385 agreement for the purchase of maintenance equipment. The contract bears no interest and requires annual principal payments beginning in the fiscal year 2018.

Annual debt service payments of the installments purchase as of June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	\$ 18,477
2021	18,477
2022	18,477
	<u>\$ 55,431</u>

Changes in long-term debt for the fiscal year ended June 30, 2019 are as follows:

	Beginning Balance June 30, 2018	Additions	Retirements	Ending Balance June 30, 2019	Due Within One Year
Governmental activities:					
Installment purchases	\$ 73,908	\$ -	\$ 18,477	\$ 55,431	\$ 18,477

Note 10. Retirement Systems

A. North Carolina Local Governmental Employees' Retirement System

Plan description: Carteret County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and fire fighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,622,959 for the year ended June 30, 2019.

Refunds of Contributions: County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the County reported a liability of \$6,559,051 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the County's proportion was .276% (measured as of June 30, 2018), which was a decrease of .004% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the County recognized pension expense of \$1,899,743. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,011,906	\$ 33,955
Changes of assumptions	1,740,519	-
Net difference between projected and actual earnings on pension plan investments	900,363	-
Changes in proportion and differences between County contributions and proportionate share of contributions	84,439	30,275
County contributions subsequent to the measurement date	1,622,959	-
Total	<u>\$ 5,360,186</u>	<u>\$ 64,230</u>

\$1,622,959 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2019	\$ 1,790,165
2020	1,161,281
2021	198,341
2022	523,210
2023	-
Thereafter	-
	<u>\$ 3,672,997</u>

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate: The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 15,755,409	\$ 6,559,051	\$ (1,125,569)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

B. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Carteret County administers a public employee retirement system (the *Separation Allowance*), a single-employer, defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At the December 31, 2017 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	61
Total	64

2. Summary of Significant Accounting Policies

Basis of Accounting: The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers.

Note 10. Retirement Systems (Continued)

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the Total Pension Liability is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, project forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration cost of the Separation Allowance are finance through investment earnings. The County has paid \$20,893 as benefits came due for the reporting period.

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

At June 30, 2019, the County reported a total pension liability of \$1,127,500. The total pension liability was measured as of December 31, 2018, based on a December 31, 2017 actuarial valuation. For the year ended June 30, 2019 the County recognized pension expense of \$103,596.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,872
Changes in assumptions	398	-
County benefit payments and plan administrative expense made subsequent of the measurement date	12,311	-
Total	<u>\$ 12,709</u>	<u>\$ 23,872</u>

\$12,311 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2020	\$ (3,931)
2021	(3,931)
2022	(3,931)
2023	(2,951)
2024	(8,730)
Thereafter	-
	<u>\$ (23,474)</u>

\$11,311 paid as benefits came due and \$1,000 administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's total pension liability to changes in the discount rate. The following present the County's total pension liability calculated using the discount rate of 3.64%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.64%) or 1 percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 1,228,115	\$ 1,127,500	\$ 1,035,237

Note 10. Retirement Systems (Continued)

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>
Beginning Balance as of December 31, 2017	\$ 1,108,206
Service Cost	66,838
Interest on the total pension liability	34,689
Difference between expected and actual experience	(14,112)
Changes of assumptions or other inputs	(47,228)
Benefit payments	(20,893)
Ending balance as of December 31, 2018	<u><u>\$ 1,127,500</u></u>

The plan currently uses mortality table that vary by age, and health statue (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System as of December 31, 2014.

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description: The 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 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 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, 2019 were \$224,386, which consisted of \$161,191 from the County and \$63,195 from law enforcement officers. No amounts were forfeited.

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, 2019, were \$1,305,933, which consisted of \$859,059 from the County and \$446,874 from the employees. No amounts were forfeited.

Registers of Deeds' Supplemental Pension Fund

Plan description: Carteret County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Benefits Provided: An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions: Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contribution to the pension plan from the County were \$8,627 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$176,611 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2018, the County's proportion was 1.07%, which was an increase of .13% from its proportion measured as of June 30, 2017.

At June 30, 2019, the County recognized pension expense of 37,857. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,557	\$ 8,061
Changes of Assumptions	8,306	-
Net difference between projected and actual earnings on pension plan investments	28,150	-
Changes in proportion and differences between County contributions and proportionate share of contributions	31,108	24,791
County contributions subsequent to the measurement date	8,627	-
Total	<u>\$ 77,748</u>	<u>\$ 32,852</u>

\$8,627 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Years ending June 30:

2019	\$	30,634
2020		(7,033)
2021		8,296
2022		4,372
2023		-
Thereafter		-
	\$	<u>36,269</u>

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2019 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate: The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension asset	\$ 139,248	\$ 176,611	\$ 208,120

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

The net pension liability for LGERS and ROD was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2018, with an actuarial valuation date of December 31, 2017. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	ROD	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 6,559,051	n/a	\$ (176,611)	\$ 6,382,440
Proportion of the Net Pension Liability (Asset)	0.27648%	n/a	1.06630%	
Total Pension Liability	\$ -	\$ 1,127,500	\$ -	\$ 1,127,500
Pension Expense	\$ 1,898,206	\$ 103,596	\$ 37,857	\$ 2,039,659

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

	LGERS	LEOSSA	ROD	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 1,011,906	\$ -	\$ 1,557	\$ 1,013,463
Change of assumptions	1,740,519	398	8,306	1,749,223
Net difference between projected and actual earnings on pension plan Investments	900,363	-	28,150	928,513
Changes in proportion and differences between County contributions and proportionate share of contributions	84,439	-	31,108	115,547
County contributions (LGERS, ROD) / benefit payments and administration cost (LEOSSA) subsequent to the measurement date	1,622,959	12,311	8,627	1,643,897
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 33,955	\$ 23,872	\$ 8,061	\$ 65,888
Changes in proportion and differences between County contributions and proportionate share of contributions	30,275	-	24,791	55,066

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 20 years, and retire with at least ten years of creditable service with the County. The Plan is available to qualified retirees until Medicare eligible. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

County Contributions to HCB Plan based on years of creditable service		
Retired Employees' Years of Creditable Service	Pre-August 5, 2002	On or after August 5, 2002
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by County	Not eligible for coverage
20+ years	Full coverage paid for by County	Full coverage paid for by County

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and spouses receiving benefits	45
Active plan members	421
Total	466

Total OPEB Liability

The county's total OPEB liability at June 30, 2019 of \$7,294,191 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified.

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation:	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate:	
Prior measurement date	3.56%
Measurement date	3.89%
Health Care Cost Trends:	
Pre-Medicare and Prescription Drug	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2017	\$ 7,230,171
Changes for the year:	
Service cost at the end of the year	425,449
Interest on TOL and cash flows	250,233
Difference between expected and actual experience	26,801
Changes of assumptions or other inputs	(232,621)
Net Benefit payments and implicit subsidy credit	(405,842)
Net Changes	64,020
Total OPEB Liability as of June 30, 2018	\$ 7,294,191

The TOL is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2017. An expected TOL is determined as of June 30, 2016, the Prior Measurement Date, using standard roll back techniques. The roll back calculation begins with the TOL, as of the Measurement Date, June 30, 2017, add the expected benefit payments for the year, deducts interest at the Discount Rate for the year, and then subtracts the annual Normal Cost (also call the Service Cost).

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

The actuarial study has assumed no significant changes, other than the change in the Municipal Bond Index Rate, have occurred between the Valuation Date and the Measurement Date. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89% due to a change in the Municipal Bond Rate. There are no changes in benefit terms since the Prior Measurement Date. No benefit payments are attributable to the purchase of allocated insurance contracts.

Sensitivity of the total OPEB liability to changes in the discount rate. The following present the total OPEB liability of the County, as well as what the county's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

Discount Rate Sensitivity			
	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 8,025,111	\$ 7,294,191	\$ 6,638,412

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower of 1-percentage-point higher than the current healthcare cost trend rates:

Health Care Cost Trend Rate Sensitivity			
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 6,404,137	\$ 7,294,191	\$ 8,358,084

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the County recognized OPEB expense of \$601,635. At June 30, 2019, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,833	\$ -
Changes of assumptions or other inputs	-	471,525
Benefit payments and administrative costs made subsequent to the measurement date	288,775	-
Total	<u>\$ 345,608</u>	<u>\$ 471,525</u>

\$288,775 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

2019	\$	(79,619)
2020		(79,619)
2021		(79,619)
2022		(79,619)
2023		(71,206)
Thereafter		(25,010)
		<u>(414,692)</u>

Note 12. Other Employment Benefits

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

For the fiscal year ended June 30, 2019 the County made contributions to the State for death benefits of \$20,156. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% of covered payroll, respectively.

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	\$ 50,737,727	\$ 26,276,666
TANF	132,393	-
WIC	639,454	-
Health Choice	1,533,158	-
IV-E Adoption Subsidy and vendor	317,439	-
Special Assistance	-	320,840
CWS Adoption Subsidy	-	213,656
SAA/SAD HB1030	-	15,606
	<u>\$ 53,360,171</u>	<u>\$ 26,826,768</u>

Note 14. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority ("Waste Management Authority"). Carteret County appoints two members of the seven-member board. The Waste Management Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Waste Management Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Waste Management Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Waste Management Authority during the fiscal year ended June 30, 2019. 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, 2019. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, North Carolina 28523.

The County, in conjunction with the State of North Carolina and the Carteret County Board of Education, participates in a joint venture to operate Carteret Community College. The County appoints four members of the twelve-member board of trustees of the community college. The community college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds and bank installment loans to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$165,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,915,659 to the Community College during the fiscal year ended June 30, 2019. 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, 2019. 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, 2019. During the year ended June 30, 2019, the County contributed \$1,173,185 to the library in Carteret County.

On May 20, 2019, the Board of Commissions voted to provide Craven-Pamlico-Carteret Regional Library System the required notice of its intent to withdraw from the regional system. Carteret is required to provide a 12 month notice of its intent, and effective July 1, 2020, Carteret County libraries will be a County department served by local representation, direction, staffing, and funding.

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.

Operating Leases

During the fiscal year ended June 30, 2008, the County entered into a ten-year office lease agreement for the Carteret County Board of Elections, the Carteret County Library and various other County offices. The County renewed this lease in April 2019 for five years. Rent under this lease for the year ended June 30, 2019 amounted to \$131,645. Future minimum lease payments for the office lease are as follows:

Year ending June 30,	Annual Lease Payment
2020	\$ 131,645
2021	131,645
2022	131,645
2023	109,704
	<u>\$ 504,639</u>

The Hospital has lease commitments under various operating leases for certain medical equipment. Total rental expense under cancelable and noncancelable operating leases was approximately \$1,062,508 for the year ended September 30, 2018. The future minimum lease payments under the noncancelable operating leases are as follows:

September 30,	Amount
2019	\$ 533,844
2020	533,844
2021	425,823
2022	101,760
2023	84,800
Total minimum lease payments	<u>\$ 1,680,071</u>

The ABC Board has operating leases for two facilities and office equipment. The leases expire at varying times through June 30, 2027. The lease payment schedule for four non-cancellable leases are as follows:

Notes to Financial Statements

Note 16. Commitments and Contingencies (Continued)

Year ending June 30,	Annual Lease Payment
2020	\$ 125,781
2021	111,402
2022	33,790
2023	29,840
2024	29,840
Thereafter	89,519
	<u>\$ 420,172</u>

Construction Commitments

The County has the following construction commitments as of June 30, 2019:

Project	Spent-To-Date	Commitment
Western Library Expansion	<u>\$ 275,810</u>	<u>\$ 45,087</u>

Federal and State Assisted Programs

Hurricane Florence

September 2018, Hurricane Florence made landfall in Carteret County. As of June 30, 2019, the County submitted \$15,898,089 to FEMA for reimbursement, and FEMA has approved \$14,573,756. The County has received \$9,180,419. County administrators believe the County will receive the remaining funds.

Other Federal and State Assisted Programs

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

Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 for specified aggregate amounts in excess of the basic coverage. The excess coverage is an occurrence policy with a retroactive date of June 15, 1976. Incidents occurring through September 30, 2018, may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

Carteret County, North Carolina**Notes to Financial Statements**

Note 16. Commitments and Contingencies (Continued)

The Airport has the following construction commitments as of June 30, 2019:

Project	Spent-To-Date	Remaining Commitment
T Hangar and Taxilane	\$ 1,094,691	\$ 56,594
Pavement Rehab Project	182,781	3,817,593
	<u>\$ 1,277,472</u>	<u>\$ 3,874,187</u>

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

Receivable Fund	Payable Fund	Amount
General Fund	Occupancy Tax	
	Occupancy tax distribution	\$ 410,132
	Salter Path Taxing District	541
		<u>\$ 410,673</u>

Receivable Entity	Payable Entity	Amount
Primary government:	Component unit:	
General Fund	Carteret County ABC Board	
	Net income distribution due to County	
	June 30, 2019	<u>\$ 220,927</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 18. Inter-fund Transfers and Intra-Entity Transactions with Component Units

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

Inter-fund transfers for the year ended June 30, 2019, are as follows:

Transfers Out	Transfers In				Total
	Major General	Major County Capital Improvements	Non-Major Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 12,766,113	\$ 3,900,699	\$ -	\$ 16,666,812
Major Occupancy Tax Fund	3,884,327	-	-	-	3,884,327
Other Governmental Funds	-	228,386	25,498	400,000	653,884
Total transfers out	\$ 3,884,327	\$ 12,994,499	\$ 3,926,197	\$ 400,000	\$ 21,205,023

Transfers consist primarily of the following:

\$ 3,900,699	Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue and capital projects funds
3,884,327	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
12,766,113	Transfer from General Fund to County Capital Improvements Fund for various current and future capital projects and to supplement other funding sources in the special revenue and capital project funds
253,884	Transfer from Other Governmental Funds for various current and future capital projects and supplement other funding sources
400,000	Transfer from Water Taxing District Fund to the Water Fund to fund capital and debt service

Intra-entity transactions with discretely presented component units for the year ended June 30, 2019, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	\$ 160,105
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	3,797,509
	\$ 3,957,614
Profit Contributions from ABC Board to General Fund	\$ 826,852

Notes to Financial Statements

Note 19. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2019, that have effective dates that may affect future financial presentation.

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

In June 2018, GASB issued *Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued *Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020.

Note 20. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2019) through November 26, 2019, which represents the date the financial statements were available to be issued. Hurricane Florence made landfall in Carteret County September 13, 2018. The County anticipates being reimbursed for all hurricane eligible expenditures from FEMA and the State.

The Beaufort-Morehead City Airport Authority was renamed the Carteret County-Beaufort Airport Authority effective July 16, 2019. With this change, the board membership was increased from five to seven members.



Required Supplemental Financial Data

(Unaudited)

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

Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

Schedule of County's Proportionate Share of Net Pension Liability (LGERS)

Schedule of County Contributions (LGERS)

Schedule of County's Proportionate Share of Net Pension (ROD)

Schedule of County Contributions (ROD)

Schedule of Changes in the Total OPEB Liability



Carteret County, North Carolina

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For Year Ended June 30, 2019**

	2019	2018	2017
Beginning balance	\$ 1,108,206	\$ 968,325	\$ 912,139
Service cost	66,838	58,188	63,079
Interest on the total pension liability	34,689	37,022	32,336
Differences between expected and actual experience in the measurement of the total pension liability	(14,112)	(18,303)	-
Changes of assumptions or other inputs	(47,228)	81,366	(26,491)
Benefit payments	(20,893)	(18,392)	(12,738)
Ending balance of the total pension liability	\$ 1,127,500	\$ 1,108,206	\$ 968,325

The amounts presented for the fiscal year were determined as of the prior December 31

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

Carteret County, North Carolina

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For Year Ended June 30, 2019**

	2019	2018	2017
Total pension liability	\$ 1,127,500	\$ 1,108,206	\$ 968,325
Covered employee payroll	2,638,514	2,590,646	2,577,824
Total pension liability as a percentage of covered payroll	42.73%	42.78%	37.56%

Notes to the schedules:

The County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provided pay related benefits.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.



Carteret County, North Carolina

**Schedule of the County's Proportionate Share of the Net Pension
Liability (Asset)**

Required Supplementary Information

Local Governmental Employees' Retirement System

Last Six Fiscal Years*

	2019	2018	2017
County's proportion of the net pension liability (asset) %	0.27648%	0.28040%	0.29078%
County's proportionate share of the net pension liability (asset) \$	\$ 6,559,051	\$ 4,283,735	\$ 6,171,326
County's covered payroll	18,490,395	18,208,239	17,057,781
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.47%	23.53%	36.18%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

2016	2015	2014
0.25893%	0.25688%	0.24810%
\$ 1,162,062	\$ (1,514,940)	\$ 2,990,558
15,801,403	14,891,061	14,737,702
7.35%	-10.17%	20.29%
98.09%	102.64%	94.35%

Carteret County, North Carolina

**Schedule of County Contributions
Required Supplementary Information
Local Governmental Employee's Retirement System**

Last Six Fiscal Years

	2019	2018	2017
Contractually required contribution	\$ 1,622,959	\$ 1,391,865	\$ 1,315,412
Contributions in relation to the contractually required contribution	1,622,959	1,391,865	1,315,412
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 20,750,389	\$ 18,490,395	\$ 18,208,239
Contributions as a percentage of covered payroll	7.82%	7.53%	7.22%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

2016		2015		2014	
\$	1,167,788	\$	1,150,353	\$	1,062,954
	1,167,788		1,150,353		1,062,954
\$	-	\$	-	\$	-
\$	17,057,781	\$	15,801,403	\$	14,891,061
	6.85%		7.28%		7.14%

Carteret County, North Carolina

**Schedule of the County's Proportionate Share of the Net Pension
Liability (Asset)**

Required Supplementary Information

Registers of Deeds' Supplemental Pension Fund

Last Six Fiscal Years*

	2019	2018	2017
County's proportion of the net pension liability (asset) %	1.06630%	0.93938%	1.33673%
County's proportionate share of the net pension liability (asset) \$	\$ (176,611)	\$ (160,343)	\$ (249,915)
County's covered payroll	47,636	47,761	41,841
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-370.75%	-335.72%	-597.30%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

2016	2015	2014
1.09128%	1.10071%	1.12857%
\$ (252,893) 46,233	\$ (249,489) 46,233	\$ (241,063) 46,233
-547.00%	-539.63%	-521.41%
197.29%	193.88%	190.50%

Carteret County, North Carolina

**Schedule of County Contributions
Required Supplementary Information
Registers of Deeds' Supplemental Pension Fund
Last Six Fiscal Years**

	2019	2018	2017
Contractually required contribution	\$ 8,627	\$ 9,125	\$ 9,588
Contributions in relation to the contractually required contribution	8,627	9,125	9,588
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 52,113	\$ 46,025	\$ 41,841
Contributions as a percentage of covered payroll	16.55%	19.83%	22.92%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2016	2015	2014
\$	9,494	\$ 8,732	\$ 8,987
	9,494	8,732	8,987
\$	-	\$ -	\$ -
\$	46,233	\$ 46,233	\$ 46,233
	20.54%	18.89%	19.44%

Carteret County, North Carolina

**Schedule of Changes in Total OPEB Liability
For Year Ended June 30, 2019**

	Measurement Period Ending	
	2018	2017
Beginning balance	\$ 7,230,171	\$ 7,297,781
Service cost	425,449	407,537
Interest on the total pension liability	250,233	213,683
Differences between expected and actual experience	26,801	40,986
Changes of assumptions or other inputs	(232,621)	(329,477)
Benefit payments	(405,842)	(400,339)
Ending balance of the total OPEB liability	\$ 7,294,191	\$ 7,230,171
Covered employee payroll	16,873,606	16,873,606
Total OPEB liability as a percentage of covered-employee payroll	43.23%	42.85%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discounts rates used in each period:

<u>Fiscal year</u>	<u>Measurement Period</u>	<u>Rate</u>
2018	2017	3.56%
2019	2018	3.89%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019**

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes:			
Current period	\$ 45,435,000	\$ 45,799,705	\$ 364,705
Prior years	850,000	936,703	86,703
Interest and penalties	335,000	482,719	147,719
	<u>46,620,000</u>	<u>47,219,127</u>	<u>599,127</u>
Other taxes:			
ABC local bottle tax	37,000	42,276	5,276
Local option sales tax	15,200,000	16,000,706	800,706
	<u>15,237,000</u>	<u>16,042,982</u>	<u>805,982</u>
Permits and fees:			
Sheriff fees	100,000	88,115	(11,885)
Register of deeds	1,445,000	1,364,891	(80,109)
Franchise fees	450,000	416,103	(33,897)
Building and Inspection fees	650,000	650,558	558
Environmental health fees	357,000	283,344	(73,656)
Public Health fees	310,000	452,607	142,607
Other fees	98,385	172,269	73,884
	<u>3,410,385</u>	<u>3,427,887</u>	<u>17,502</u>
Intergovernmental:			
Restricted:			
Federal and State grants	27,138,898	21,341,785	(5,797,113)
Lottery proceeds	600,000	600,000	-
Court facilities fees	105,000	93,380	(11,620)
Unrestricted:			
Beer and wine tax	180,000	172,600	(7,400)
Payments in lieu of taxes	-	196,304	196,304
ABC profits	723,350	826,852	103,502
Croatan National Forest	41,000	46,071	5,071
	<u>28,788,248</u>	<u>23,276,992</u>	<u>(5,511,256)</u>
Sales and services:			
Solid waste	3,475,000	3,473,805	(1,195)
Civic center fees	247,700	268,024	20,324
Other	456,510	498,859	42,349
	<u>4,179,210</u>	<u>4,240,688</u>	<u>61,478</u>
Interest	<u>300,000</u>	<u>1,151,238</u>	<u>851,238</u>
Miscellaneous:			
Other	1,388,045	1,851,693	463,648
	<u>1,388,045</u>	<u>1,851,693</u>	<u>463,648</u>
Total revenues	<u>99,922,888</u>	<u>97,210,607</u>	<u>(2,712,281)</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2019

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		50,261	
Operating expenses		143,812	
Professional services		79,500	
	295,450	273,573	21,877
Administration:			
Salaries and employee benefits		398,251	
Operating expenses		22,764	
	462,557	421,015	41,542
Information systems:			
Salaries and employee benefits		641,166	
Operating expenses		1,028,328	
Capital outlay		313,457	
	2,013,216	1,982,951	30,265
Finance:			
Salaries and employee benefits		681,182	
Operating expenses		77,773	
	777,943	758,955	18,988
Human resources:			
Salaries and employee benefits		337,208	
Operating expenses		66,564	
	435,019	403,772	31,247
Tax and revaluation:			
Salaries and employee benefits		1,159,466	
Operating expenses		66,026	
Contract services		336,033	
Capital outlay		17,995	
	1,652,098	1,579,520	72,578
Legal:			
Professional services	70,000	52,560	17,440
Court facilities:			
Salaries and employee benefits		2,841	
Operating expenses		77,982	
	84,515	80,823	3,692
Elections:			
Salaries and employee benefits		329,500	
Operating expenses		231,183	
	595,457	560,683	34,774
Register of deeds:			
Salaries and employee benefits		376,303	
Operating expenses		144,680	
	585,451	520,983	64,468

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2019

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public buildings:			
Salaries and employee benefits		498,982	
Operating expenses		1,866,399	
Capital outlay		49,228	
	2,801,880	2,414,609	387,271
Total general government	9,773,586	9,049,444	724,142
Public safety:			
Sheriff:			
Salaries and employee benefits		4,576,143	
Operating expenses		743,963	
Contract services		155,357	
Capital outlay		439,299	
	6,016,448	5,914,762	101,686
Sheriff - Jail division:			
Salaries and employee benefits		2,285,357	
Operating expenses		1,577,808	
Contract services		302,085	
	4,389,944	4,165,250	224,694
Paramedic operations:			
Salaries and employee benefits		577,743	
Operating expenses		120,522	
Capital outlay		25,416	
	836,527	723,681	112,846
Emergency management:			
Salaries and employee benefits		267,585	
Operating expenses		43,745	
Contracted services		67,571	
	387,814	378,901	8,913
Rape crisis program:			
Salaries and employee benefits		250,771	
Operating expenses		31,622	
	295,656	282,393	13,263
Fire Marshall:			
Salaries and employee benefits		140,428	
Operating expenses		24,650	
	167,689	165,078	2,611
Consolidated Communications:			
Salaries and employee benefits		1,628,442	
Operating expenses		280,074	
	2,084,977	1,908,516	176,461
Medical examiner:			
Professional services		68,400	600

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2019

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Animal control:			
Salaries and employee benefits		263,949	
Operating expenses		210,614	
Capital outlay		29,608	
	521,822	504,171	17,651
Total public safety	14,769,877	14,111,152	658,725
Transportation:			
Harbors:			
Operating expenses	25,000	9,536	15,464
Beaufort-Morehead City Airport Authority			
Salaries and employee benefits		36,320	
Operating expenses		160,105	
	196,455	196,425	30
CCATS:			
Salaries and employee benefits		717,091	
Operating expenses		260,093	
Capital outlay		354,536	
	1,346,281	1,331,720	14,561
Total transportation	1,567,736	1,537,681	30,055
Environmental protection:			
Forest fire control	134,925	114,120	20,805
Tri-County solid waste collections	17,449,200	17,367,029	82,171
Public works:			
Salaries and employee benefits		482,334	
Operating expenses		465,758	
Capital outlay		73,210	
	1,082,949	1,021,302	61,647
Total environmental protection	18,667,074	18,502,451	164,623
Economic and physical development:			
Economic development:			
Salaries and employee benefits		171,930	
Operating expenses		221,110	
	407,477	393,040	14,437
Beach nourishment:			
Salaries and employee benefits		138,057	
Operating expenses		11,399	
Contract services		291,692	
	1,042,725	441,148	601,577

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2019

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Planning and zoning:			
Salaries and employee benefits		727,879	
Operating expenses		114,674	
Contract services		29,875	
Capital outlay		20,810	
	973,940	893,238	80,702
General services:			
Salaries and employee benefits		122,759	
Operating expenses		3,365	
	132,635	126,124	6,511
Cooperative extension:			
Salaries and employee benefits		62,772	
Operating expenses		182,290	
	265,600	245,062	20,538
Total economic and physical development	2,822,377	2,098,612	723,765
Human Services:			
Health center:			
Salaries and employee benefits		2,032,967	
Operating expenses		497,616	
	2,852,253	2,530,583	321,670
Dental program			
Salaries and employee benefits		270,898	
Operating expenses		71,471	
	370,505	342,369	28,136
Women, infants, and children:			
Salaries and employee benefits		265,769	
Operating expenses		3,381	
	273,993	269,150	4,843
Environmental health:			
Salaries and employee benefits		1,069,333	
Operating expenses		86,602	
Capital outlay		7,250	
	1,175,515	1,163,185	12,330
Mental health:			
Mental health center and other		314,873	
Mental health, ABC		30,000	
	528,000	344,873	183,127
DSS administration:			
Salaries and employee benefits		7,586,080	
Operating expenses		691,418	
Capital outlay		18,256	
	8,635,202	8,295,754	339,448
General assistance	704,500	581,614	122,886
TANF Block grant:			
TANF Block grant		15,243	
Operating expenses		24,784	
	101,000	40,027	60,973

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2019

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
DSS special assistance	1,316,000	828,435	487,565
Special projects	879,035	508,264	370,771
Other human services	487,075	474,386	12,689
Veteran services:			
Salaries and employee benefits		328,459	
Operating expenses		51,719	
	384,388	380,178	4,210
Senior center aging programs:			
Salaries and employee benefits		236,529	
Operating expenses		39,810	
Contract services		77,815	
	539,218	354,154	185,064
Total human services	18,246,684	16,112,972	2,133,712
Culture and recreation:			
Senior center:			
Salaries and employee benefits		121,357	
Operating expenses		48,423	
Contract services		11,875	
	248,773	181,655	67,118
Carteret County Library:			
Appropriations to Library Systems	1,330,060	1,326,310	3,750
Parks and recreation:			
Salaries and employee benefits		535,776	
Operating expenses		232,578	
Contract services		25,527	
	842,257	793,881	48,376
Parks and recreation maintenance:			
Salaries and employee benefits		481,632	
Operating expenses		394,384	
Capital outlay		476,834	
	1,392,455	1,352,850	39,605
Civic center:			
Salaries and employee benefits		223,943	
Operating expenses		137,991	
	406,989	361,934	45,055
Total culture and recreation	4,220,534	4,016,630	203,904

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2019

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Education:			
Public schools, current expense	23,264,455	23,264,455	-
Community college, current expense	2,515,000	2,515,000	-
Community college, capital outlay	905,095	400,659	504,436
Total education	26,684,550	26,180,114	504,436
Debt service:			
Principal retirement	5,618,500	5,504,773	113,727
Interest and fees	1,170,600	1,160,362	10,238
Total debt service	6,789,100	6,665,135	123,965
Total expenditures	103,541,518	98,274,191	5,267,327
Revenues over (under) expenditures	(3,618,630)	(1,063,584)	2,555,046
Other financing sources (uses)			
Transfers in (out):			
From Occupancy Tax Fund	3,979,350	3,884,327	(95,023)
To School Project Fund	(2,199,000)	(2,199,000)	-
To Capital Improvement Fund	(12,766,113)	(12,766,113)	-
To Facilities / Debt Reserve Fund	(1,630,700)	(1,630,700)	-
To E-911 Fund	(70,999)	(70,999)	-
Contingency reserves	(3,044,653)	-	3,044,653
Appropriated fund balance	19,350,745	-	(19,350,745)
Total other financing sources (uses)	3,618,630	(12,782,485)	(16,401,115)
Net change in fund balance	\$ -	(13,846,069)	\$ (13,846,069)
Fund balance			
Beginning		61,837,568	
Ending		\$ 47,991,499	



Carteret County, North Carolina

Combining Balance Sheet - Non-major Governmental Fund Types
June 30, 2019

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 1,452,623	\$ 6,239,229	\$ 7,691,852
Restricted cash and investments	2,001,451	-	2,001,451
Receivables, net	1,493,783	-	1,493,783
Total assets	\$ 4,947,857	\$ 6,239,229	\$ 11,187,086
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 110,742	\$ 52,724	\$ 163,466
Due to other funds	541	-	541
Total liabilities	111,283	52,724	164,007
Deferred inflows of resources	717,589	-	717,589
Fund balances:			
Restricted:			
Public safety	1,301,653	-	1,301,653
Economic development	214,771	-	214,771
Rescue protection	1,081,077	-	1,081,077
Fire protection	1,521,484	-	1,521,484
Committed:			
School capital	-	162,112	162,112
Community College capital	-	1,425,000	1,425,000
Assigned:			
County capital	-	4,599,393	4,599,393
Total fund balances	4,118,985	6,186,505	10,305,490
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,947,857	\$ 6,239,229	\$ 11,187,086

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-major Governmental Fund Types
Year Ended June 30, 2019

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Ad valorem taxes	\$ 7,136,846	\$ -	\$ 7,136,846
Other taxes	2,298,165	-	2,298,165
Intergovernmental	413,166	26,795	439,961
Interest	79,586	118,421	198,007
Miscellaneous	4,811	214	5,025
Total revenues	9,932,574	145,430	10,078,004
Expenditures			
Current:			
Public safety	8,954,065	-	8,954,065
Economic and physical development	1,348	-	1,348
Capital outlay	-	2,395,681	2,395,681
Total expenditures	8,955,413	2,395,681	11,351,094
Revenues over (under) expenditures	977,161	(2,250,251)	(1,273,090)
Other financing sources (uses)			
Transfers in	70,999	3,855,198	3,926,197
Transfers out	(478,000)	(175,884)	(653,884)
Total other financing sources (uses)	(407,001)	3,679,314	3,272,313
Net change in fund balance	570,160	1,429,063	1,999,223
Fund balances			
Beginning	3,548,825	4,757,442	8,306,267
Ending	\$ 4,118,985	\$ 6,186,505	\$ 10,305,490

Non-major Special Revenue Funds

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

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Balance Sheet

June 30, 2019

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 1,271,510
Restricted cash and investments	824,800	1,176,651	-
Receivables:			
Property taxes receivable, net	263,149	418,833	-
Accounts receivable	290,204	417,250	34,430
Total assets	\$ 1,378,153	\$ 2,012,734	\$ 1,305,940
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 33,927	\$ 72,417	\$ 4,287
Due to other funds	-	-	-
Total liabilities	33,927	72,417	4,287
Deferred inflows of resources	263,149	418,833	-
Fund balances:			
Restricted:			
Public safety	-	-	1,301,653
Economic development	-	-	-
Rescue protection	1,081,077	-	-
Fire protection	-	1,521,484	-
Total fund balances	1,081,077	1,521,484	1,301,653
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,378,153	\$ 2,012,734	\$ 1,305,940

Salter Path District Fund	Water Tax District Fund	Totals
\$ -	\$ 181,113	\$ 1,452,623
-	-	2,001,451
6	35,601	717,589
691	33,619	776,194
\$ 697	\$ 250,333	\$ 4,947,857

\$ -	\$ 111	\$ 110,742
541	-	541
541	111	111,283
6	35,601	717,589

-	-	1,301,653
150	214,621	214,771
-	-	1,081,077
-	-	1,521,484
150	214,621	4,118,985
\$ 697	\$ 250,333	\$ 4,947,857

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Revenues			
Ad valorem taxes	\$ 2,736,527	\$ 4,097,698	\$ -
Other taxes	903,501	1,288,640	-
Intergovernmental	-	-	413,166
Interest	18,728	27,962	26,439
Miscellaneous	-	4,811	-
Total revenues	3,658,756	5,419,111	439,605
Expenditures			
Public safety	3,470,183	5,174,664	309,218
Economic and physical development	-	-	-
Total expenditures	3,470,183	5,174,664	309,218
Revenues over expenditures	188,573	244,447	130,387
Other financing sources (uses)			
Transfers in	-	-	70,999
Transfers out	-	-	-
Total other financing sources (uses)	-	-	70,999
Revenues and other financing sources over expenditures and other financing uses	188,573	244,447	201,386
Fund balances			
Beginning	892,504	1,277,037	1,100,267
Ending	\$ 1,081,077	\$ 1,521,484	\$ 1,301,653

Salter Path District Fund	Water Tax District Fund	Totals
\$ 6,507	\$ 296,114	\$ 7,136,846
2,288	103,736	2,298,165
-	-	413,166
681	5,776	79,586
-	-	4,811
9,476	405,626	9,932,574
-	-	8,954,065
5	1,343	1,348
5	1,343	8,955,413
9,471	404,283	977,161
-	-	70,999
(78,000)	(400,000)	(478,000)
(78,000)	(400,000)	(407,001)
(68,529)	4,283	570,160
68,679	210,338	3,548,825
\$ 150	\$ 214,621	\$ 4,118,985

Carteret County, North Carolina

Rescue Squad Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 2,648,625	\$ 2,736,527	\$ 87,902
Other taxes:			
Local option sales tax	745,000	903,501	158,501
Intergovernmental	136,260	-	(136,260)
Interest	-	18,728	18,728
Total revenues	3,529,885	3,658,756	128,871
Expenditures			
Public safety:			
Beaufort	878,115	878,115	-
Broad and Gales Creek	311,842	311,842	-
Mill Creek	102,881	102,882	(1)
Mitchell Village	140,501	140,501	-
Otway	313,254	313,254	-
Sea Level	256,365	256,365	-
Western Carteret	600,092	600,091	1
District hurricane reimbursements	136,260	25,318	110,942
District reserves	160,470	129,815	30,655
Local sales tax	712,000	712,000	-
Total expenditures	3,611,780	3,470,183	141,597
Revenues over (under) expenditures	(81,895)	188,573	270,468
Other financing sources			
Fund balance appropriated	81,895	-	(81,895)
Revenues and other financing sources over expenditures	\$ -	188,573	\$ 188,573
Fund balances			
Beginning		892,504	
Ending		<u>\$ 1,081,077</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 3,967,370	\$ 4,097,698	\$ 130,328
Other taxes:			
Local option sales tax	1,191,700	1,288,640	96,940
Intergovernmental	195,690	-	(195,690)
Interest	-	27,962	27,962
Miscellaneous	-	4,811	4,811
Total revenues	5,354,760	5,419,111	64,351
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	52,373	52,373	-
Beaufort	321,393	321,393	-
Broad and Gales Creek	297,547	297,547	-
Cedar Island	48,542	48,542	-
Davis	65,491	65,491	-
Harkers Island	355,651	355,651	-
Harlowe	78,005	78,005	-
Marshallberg	184,411	184,411	-
Mill Creek	31,350	31,350	-
Mitchell Village, Crab Point	361,282	361,282	-
Newport	413,963	413,963	-
North River	46,211	46,211	-
Otway	196,758	196,758	-
Salter Path	85,132	85,132	-
Sea Level	48,129	48,129	-
South River	100,060	100,060	-
Stacy	22,232	22,232	-
Stella	217,437	217,437	-
Western Carteret	602,092	602,092	-
Wildwood	583,993	583,993	-
Districts hurricane reimbursements	195,690	70,912	124,778
District reserves	189,073	53,000	136,073
Local sales tax	938,700	938,700	-
Total expenditures	5,435,515	5,174,664	260,851
Revenues over (under) expenditures	(80,755)	244,447	325,202
Other financing sources			
Fund balance appropriated	80,755	-	(80,755)
Revenues and other financing sources over expenditures	\$ -	244,447	\$ 244,447
Fund balances			
Beginning		1,277,037	
Ending		<u>\$ 1,521,484</u>	

Carteret County, North Carolina

Emergency Telephone System Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 190,000	\$ 413,166	\$ 223,166
Interest	3,000	26,439	23,439
Total revenues	193,000	439,605	246,605
Expenditures			
Public safety:			
Operating expenses	212,500	135,901	76,599
Contracted services	130,000	106,206	23,794
Capital outlay	99,500	67,111	32,389
Total expenditures	442,000	309,218	132,782
Revenues over (under) expenditures	(249,000)	130,387	379,387
Other financing sources (uses)			
Transfer from General Fund	70,999	70,999	-
Contingency	(70,999)	-	70,999
Fund balance appropriated	249,000	-	(249,000)
Total other financing sources (uses)	249,000	70,999	(178,001)
Revenues and other financing sources over expenditures	\$ -	201,386	\$ 201,386
Fund balances			
Beginning		1,100,267	
Ending		\$ 1,301,653	

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 6,400	\$ 6,507	\$ 107
Other taxes:			
Local option sales tax	2,100	2,288	188
Interest	200	681	481
Total revenues	8,700	9,476	776
Expenditures			
Economic and physical development:			
Beach nourishment	50	5	45
Total expenditures	50	5	45
Revenues over expenditures	8,650	9,471	821
Other financing sources (uses)			
Transfers out	(78,000)	(78,000)	-
Fund balance appropriated	69,350	-	(69,350)
Total other financing sources (uses)	(8,650)	(78,000)	(69,350)
Revenues under other financing sources (uses)	\$ -	(68,529)	\$ (68,529)
Fund balances			
Beginning		68,679	
Ending		\$ 150	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 292,000	\$ 296,114	\$ 4,114
Other taxes			
Local option sales tax	95,000	103,736	8,736
Interest	1,000	5,776	4,776
Total revenues	388,000	405,626	17,626
Expenditures			
Economic and Physical Development			
Operating expenses	3,000	1,343	1,657
Total expenditures	3,000	1,343	1,657
Revenues over expenditures	385,000	404,283	19,283
Other financing sources (uses)			
Transfers out	(400,000)	(400,000)	-
Fund balance appropriated	15,000	-	(15,000)
Total other financing sources (uses)	(385,000)	(400,000)	(15,000)
Revenues over other financing sources (uses)	\$ -	4,283	\$ 4,283
Fund balances			
Beginning		210,338	
Ending		\$ 214,621	

Carteret County, North Carolina

2014 Flood Mitigation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2019

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Intergovernmental:				
2014 FLD Mitigation FMA-PF04	\$ 870,050	\$ 22,151	\$ -	\$ 22,151
Total revenues	870,050	22,151	-	22,151
Expenditures				
Economic and physical development:				
2014 program				
Elevation cost	726,800	22,151	-	22,151
Soft costs	143,250	-	-	-
	870,050	22,151	-	22,151
Total expenditures	870,050	22,151	-	22,151
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balances (deficit)				
Beginning			-	
Ending			\$ -	



Non-major 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

Non-major Capital Projects Fund

Combining Balance Sheet

June 30, 2019

	County Capital Reserve Fund	County Facilities Debt Reserve Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 985,566	\$ 3,618,635	\$ 210,028
Total assets	\$ 985,566	\$ 3,618,635	\$ 210,028
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 4,808	\$ -	\$ 47,916
Total liabilities	4,808	-	47,916
Fund balances :			
Committed:			
School capital	-	-	162,112
Community College capital	-	-	-
Assigned:			
County capital	980,758	3,618,635	-
Total fund balances	980,758	3,618,635	162,112
Total liabilities and fund balances	\$ 985,566	\$ 3,618,635	\$ 210,028

Carteret Community College Fund		Totals
\$	1,425,000	\$ 6,239,229
\$	1,425,000	\$ 6,239,229

\$	-	\$ 52,724
	-	52,724

	-	162,112
1,425,000		1,425,000
	-	4,599,393
1,425,000		6,186,505
\$	1,425,000	\$ 6,239,229

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019

	County Capital Reserve Fund	County Facilities / Debt Reserve Fund	School Special Projects Fund
Revenues			
Intergovernmental	\$ -	\$ -	\$ 26,795
Interest	21,678	76,971	18,587
Miscellaneous	214	-	-
Total revenues	21,892	76,971	45,382
Expenditures			
Capital outlay	-	-	2,254,081
Revenues over (under) expenditures	21,892	76,971	(2,208,699)
Other financing sources (uses)			
Transfers in	-	1,630,700	2,224,498
Transfers out	-	-	-
Total other financing sources (uses)	-	1,630,700	2,224,498
Revenues and other financing sources (uses) over (under) expenditures	21,892	1,707,671	15,799
Fund balances			
Beginning	958,866	1,910,964	146,313
Ending	\$ 980,758	\$ 3,618,635	\$ 162,112

County Construction Projects Fund	2015 School Bond Projects Fund	Carteret Community College Fund	Totals
\$ -	\$ -	\$ -	\$ 26,795
328	857	-	118,421
-	-	-	214
328	857	-	145,430
26,600	115,000	-	2,395,681
(26,272)	(114,143)	-	(2,250,251)
-	-	-	3,855,198
(150,386)	(25,498)	-	(175,884)
(150,386)	(25,498)	-	3,679,314
(176,658)	(139,641)	-	1,429,063
176,658	139,641	1,425,000	4,757,442
\$ -	\$ -	\$ 1,425,000	\$ 6,186,505

Carteret County, North Carolina

County Capital Reserve Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019**

	Budget	Actual	Variance Positive
Revenues			
Interest	\$ -	\$ 21,678	\$ 21,678
Miscellaneous	-	214	214
Total revenues	<u>-</u>	<u>21,892</u>	<u>21,892</u>
Revenues over expenditures	<u><u>\$ -</u></u>	<u>21,892</u>	<u><u>\$ 21,892</u></u>
Fund balances			
Beginning		<u>958,866</u>	
Ending		<u><u>\$ 980,758</u></u>	

Carteret County, North Carolina

County Facilities / Debt Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ -	\$ 76,971	\$ 76,971
Total revenues	<u>-</u>	<u>76,971</u>	<u>76,971</u>
Expenditures			
Capital outlay:			
Future Projects / Capital Debt	1,630,700	-	1,630,700
Total expenditures	<u>1,630,700</u>	<u>-</u>	<u>1,630,700</u>
Revenues over (under) expenditures	<u>(1,630,700)</u>	<u>76,971</u>	<u>1,707,671</u>
Other financing sources			
Transfer from General Fund	1,630,700	1,630,700	-
Total other financing sources	<u>1,630,700</u>	<u>1,630,700</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>1,707,671</u>	<u>\$ 1,707,671</u>
Fund balances			
Beginning		1,910,964	
Ending		<u>\$ 3,618,635</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ -	\$ 26,795	\$ 26,795
Interest	5,000	18,587	13,587
Total revenues	<u>5,000</u>	<u>45,382</u>	<u>40,382</u>
Expenditures			
Capital outlay, Board of Education	2,335,062	2,254,081	80,981
Revenues under expenditures	<u>(2,330,062)</u>	<u>(2,208,699)</u>	<u>121,363</u>
Other financing sources			
Transfer from other funds	2,224,500	2,224,498	(2)
Fund balance appropriated	105,562	-	(105,562)
Total other financing sources	<u>2,330,062</u>	<u>2,224,498</u>	<u>(105,564)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	15,799	<u>\$ 15,799</u>
Fund balances			
Beginning		146,313	
Ending		<u>\$ 162,112</u>	

Carteret County, North Carolina

County Construction Projects Fund

**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2019**

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Interest	\$ 13,500	\$ 13,105	\$ 328	\$ 13,433
Total revenues	13,500	13,105	328	13,433
Expenditures				
Capital outlay:				
General services construction	2,419,000	2,366,743	26,600	2,393,343
Professional services / design	195,000	215,601	-	215,601
Furnishings	100,000	105,103	-	105,103
Total Expenditures	2,714,000	2,687,447	26,600	2,714,047
Revenue over (under) expenditures	(2,700,500)	(2,674,342)	(26,272)	(2,700,614)
Other financing sources (uses)				
Transfer in from other funds	2,851,000	2,851,000	-	2,851,000
Transfer out to other funds	(150,500)	-	(150,386)	(150,386)
Total other financing sources	2,700,500	2,851,000	(150,386)	2,700,614
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 176,658	(176,658)	\$ -
Fund balance				
Beginning			176,658	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

2015 School Bond Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2019

	Amended Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Intergovernmental	\$ 56,000	\$ 56,059	-	\$ 56,059
Interest	32,795	31,875	857	32,732
Total revenues	88,795	87,934	857	88,791
Expenditures				
Current:				
Building improvements	4,942,315	4,827,315	115,000	4,942,315
Technology improvements	44,286	44,286	-	44,286
Construction management	58,333	58,333	-	58,333
Issuance cost	82,221	82,219	-	82,219
Total expenditures	5,127,155	5,012,153	115,000	5,127,153
Revenues under expenditures	(5,038,360)	(4,924,219)	(114,143)	(5,038,362)
Other financing sources (uses)				
Long-term debt issued	4,600,000	4,600,000	-	4,600,000
Bond premium	463,860	463,860	-	463,860
Transfer out to other funds	(25,500)	-	(25,498)	(25,498)
Total other financing sources (uses)	5,038,360	5,063,860	(25,498)	5,038,362
Revenues over (under) expenditures and other sources	\$ -	\$ 139,641	(139,641)	\$ -
Fund balances:				
Beginning			139,641	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

Carteret Community College Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2019

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Expenditures				
Capital outlay:				
Building Improvements	\$ 1,410,000	\$ -	\$ -	\$ -
Land	750,000	735,000	-	735,000
Total expenditures	2,160,000	735,000	-	735,000
 Revenues (under) expenditures	(2,160,000)	(735,000)	-	(735,000)
 Other financing sources				
Transfer from other funds	2,160,000	2,160,000	-	2,160,000
 Revenues and other financing sources over expenditures	\$ -	\$ 1,425,000	-	\$ 1,425,000
 Fund balances				
Beginning			1,425,000	
Ending			<u>\$ 1,425,000</u>	



Carteret County, North Carolina

Water Operating Fund

**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues, Operating			
Charges for services	\$ 675,000	\$ 680,476	\$ 5,476
Intergovernmental	48,655	27,475	(21,180)
Other operating revenue	-	3,781	3,781
Total operating revenues	723,655	711,732	(11,923)
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	328,833	309,202	19,631
Operating expense	506,607	417,182	89,425
Total operating expenditures	835,440	726,384	109,056
Operating revenues over (under) operating expenditures	(111,785)	(14,652)	97,133
Nonoperating Revenues (Expenditures)			
Interest earnings	5,000	26,166	21,166
Interest payments	(63,000)	(60,568)	2,432
Principal payments	(189,080)	(189,032)	48
Proceeds disposal capital asset	-	4,890	4,890
Capital outlay	(25,500)	(25,500)	-
Total nonoperating revenues (expenditures)	(272,580)	(244,044)	28,536
Revenues under expenditures	(384,365)	(258,696)	125,669
Other Financing Sources (Uses)			
Transfer from other funds	400,000	400,000	-
Contingency	(15,635)	-	15,635
Total other financing sources	384,365	400,000	15,635
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 141,304	\$ 141,304
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing uses over expenditures		\$ 141,304	
Gain on sale of asset		730	
Proceeds disposal capital asset		(4,890)	
Decrease in debt interest accrued		853	
Increase in accrued vacation pay		(2,729)	
Depreciation		(369,612)	
Increase in deferred outflows of resources pensions		15,396	
Decrease in deferred outflows of resources OPEB		(157)	
Increase in net pension liability		(18,268)	
Decrease in OPEB liability		2,464	
Decrease in deferred inflows of resources pensions		1,161	
Increase in deferred inflows of resources OPEB		(1,446)	
Capital outlay		25,500	
Principal on debt		189,032	
Change in net position		\$ (20,662)	



Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Fiduciary Net Position
June 30, 2019**

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
Assets					
Cash	<u>\$ 25,903</u>	<u>\$ 102,261</u>	<u>\$ 4,476</u>	<u>\$ 14,543</u>	<u>\$ 147,183</u>
Liabilities					
Accounts payable and accrued liabilities	<u>\$ 25,903</u>	<u>\$ 102,261</u>	<u>\$ 4,476</u>	<u>\$ 14,543</u>	<u>\$ 147,183</u>

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Sheriff's Department Fund:				
Assets, cash	\$ 44,596	\$ 322,715	\$ 341,408	\$ 25,903
Liabilities	\$ 44,596	\$ 322,715	\$ 341,408	\$ 25,903
Social Services Trust Fund:				
Assets, cash	\$ 53,353	\$ 419,734	\$ 370,826	\$ 102,261
Liabilities	\$ 53,353	\$ 419,734	\$ 370,826	\$ 102,261
Deed of Trust Agency:				
Assets, cash	\$ 6,745	\$ 65,528	\$ 67,797	\$ 4,476
Liabilities	\$ 6,745	\$ 65,528	\$ 67,797	\$ 4,476
Cooperative Extension Agency:				
Assets, cash	\$ 16,164	\$ 9,319	\$ 10,940	\$ 14,543
Liabilities	\$ 16,164	\$ 9,319	\$ 10,940	\$ 14,543
Totals - All Agency Funds:				
Assets, cash	\$ 120,858	\$ 817,296	\$ 790,971	\$ 147,183
Liabilities:				
Accounts payable and accrued liabilities	\$ 120,858	\$ 817,296	\$ 790,971	\$ 147,183

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source

June 30, 2019

	2019	2018
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,484,231	5,056,328
Construction in progress	378,257	2,711,894
Buildings	28,499,423	25,785,376
Vehicles	6,407,705	5,733,736
Equipment	6,367,827	6,035,043
Airport facilities	1,524,747	1,524,747
Other improvements	10,649,804	10,766,748
Leasehold improvements	2,590,428	2,590,428
Total governmental funds capital assets	\$ 62,071,971	\$ 60,373,849
Investment in governmental funds capital assets		
General Fund	\$ 52,569,578	\$ 51,251,866
Capital Project Funds	9,502,393	9,121,983
Total investment in governmental funds capital assets	\$ 62,071,971	\$ 60,373,849

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2019

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	289,817	114,001	115,516	244,283
Register of Deeds	-	17,665	-	182,135
Elections	-	-	-	687,837
Information Technology	-	-	-	1,854,687
Public Buildings	1,479,349	5,861,108	259,361	6,394
Other	-	-	-	7,202
Total General Government	1,769,166	5,992,774	374,877	3,008,340
Public Safety:				
Law Enforcement	417,991	8,614,309	2,163,100	181,108
Emergency Services	43,000	80,699	532,559	1,318,189
Total Public Safety	460,991	8,695,008	2,695,659	1,499,297
Transportation	230,589	-	1,344,953	-
Environmental Protection	153,877	2,738,447	598,856	406,729
Economic and Physical Development	506,411	-	163,539	108,619
Human Services	303,778	7,240,066	954,225	545,790
Culture and Recreation	2,228,968	3,833,128	275,596	799,052
Total governmental funds capital assets	\$ 5,653,780	\$ 28,499,423	\$ 6,407,705	\$ 6,367,827

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,802
-	-	-	-	763,617
-	16,000	-	-	215,800
-	-	-	-	687,837
-	-	-	-	1,854,687
-	2,089,997	-	-	9,696,209
-	-	-	-	7,202
-	2,105,997	-	-	13,251,154
-	249,590	-	-	11,626,098
-	-	1,108,727	-	3,083,174
-	249,590	1,108,727	-	14,709,272
1,524,747	41,142	-	-	3,141,431
-	97,560	-	-	3,995,469
-	-	-	-	778,569
-	-	-	-	9,043,859
-	8,155,515	1,481,701	378,257	17,152,217
\$ 1,524,747	\$ 10,649,804	\$ 2,590,428	\$ 378,257	\$ 62,071,971

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2019

Function and Activity	Governmental Funds Capital Assets June 30, 2018	Additions	Deductions	Transfers	Governmental Funds Capital Assets June 30, 2019
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	746,836	17,995	32,853	31,639	763,617
Register of Deeds	242,574	-	26,774	-	215,800
Elections	687,837	-	-	-	687,837
Information technology	1,689,663	313,457	153,992	5,559	1,854,687
Public buildings	9,679,554	49,228	-	(32,573)	9,696,209
Other	12,761	-	-	(5,559)	7,202
Total General Government	13,085,027	380,680	213,619	(934)	13,251,154
Public Safety:					
Law enforcement	11,329,529	439,299	142,730	-	11,626,098
Emergency services	3,040,286	182,205	72,426	(66,891)	3,083,174
Total Public Safety	14,369,815	621,504	215,156	(66,891)	14,709,272
Transportation	2,895,006	354,536	108,111	-	3,141,431
Environmental protection	3,786,459	99,810	-	109,200	3,995,469
Economic and physical development	800,889	20,810	-	(43,130)	778,569
Human services	9,124,098	25,506	90,467	(15,278)	9,043,859
Culture and recreation	16,312,555	830,644	8,015	17,033	17,152,217
Total governmental funds capital assets	\$ 60,373,849	\$ 2,333,490	\$ 635,368	\$ -	\$ 62,071,971

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, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections	Adjustments	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 46,870,483	\$ 45,799,705	\$ (74,854)	\$ 995,924
2017-2018	992,725	-	462,787	(14,898)	515,040
2016-2017	553,265	-	173,225	(6,504)	373,536
2015-2016	330,322	-	87,447	(2,919)	239,956
2014-2015	255,570	-	62,738	(847)	191,985
2013-2014	199,357	-	42,319	(703)	156,335
2012-2013	186,208	-	37,049	(158)	149,001
2011-2012	140,169	-	23,713	(46)	116,410
2010-2011	74,529	-	18,390	(2,537)	53,602
2009-2010	67,351	-	21,324	(2,340)	43,687
2008-2009	51,005	-	7,711	(40,728)	2,566
	<u>\$ 2,850,501</u>	<u>\$ 46,870,483</u>	<u>\$ 46,736,408</u>	<u>\$ (146,534)</u>	<u>2,838,042</u>
Less write-off 2008-2009 tax year					<u>(2,566)</u>
					2,835,476
Less allowance for uncollectible ad valorem taxes receivable					<u>87,569</u>
Net property taxes receivable - General Fund					<u>\$ 2,747,907</u>
Reconcilement with revenue: Ad valorem taxes - General Fund					<u>\$ 46,736,408</u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2019

	County Wide Property Valuation	Rate	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 15,119,510,645	0.31	\$ 46,870,483	\$ 44,324,100	\$ 2,546,383
Total	15,119,510,645		46,870,483	44,324,100	2,546,383
Discoveries:					
Current year taxes	16,567,742		51,360	51,360	-
Corrections	(1,445,806)		(4,482)	(4,482)	-
Total	15,121,936		46,878	46,878	-
Abatements	(39,268,387)		(121,732)	(121,732)	-
Total property valuation	\$ 15,095,364,194				
Net levy-General Fund			46,795,629	44,249,246	2,546,383
Uncollected taxes at June 30, 2019 - General Fund			995,924	995,924	-
Current year's taxes collected - General Fund			\$ 45,799,705	\$ 43,253,322	\$ 2,546,383
Current levy collection percentage - General Fund			97.87%	97.75%	100.00%



Statistical Section (Unaudited)

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

Contents	Page
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Financial Trends	164
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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	178
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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	190
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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	197
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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	200
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information included in these schedules and charts is derived for the comprehensive annual financial reports ("CAFR") and is provided for additional analysis purposes only and has not been verified by audit as presented.

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 24,050,669	\$ 26,022,027	\$ 26,469,612	\$ 25,250,857
Restricted	15,431,921	24,524,242	24,685,705	17,586,592
Unrestricted	(32,695,396)	(41,158,484)	(33,049,640)	(23,716,266)
Total governmental activities net position	\$ 6,787,194	\$ 9,387,785	\$ 18,105,677	\$ 19,121,183
Business-type activities				
Net investment in capital assets	\$ 4,098,772	\$ 4,079,804	\$ 5,416,107	\$ 5,558,997
Unrestricted	190,973	516,359	(851,225)	656,050
Total business-type activities	\$ 4,289,745	\$ 4,596,163	\$ 4,564,882	\$ 6,215,047
Primary government				
Net investment in capital assets	\$ 28,149,441	\$ 30,101,831	\$ 31,885,719	\$ 30,809,854
Restricted	15,431,921	24,524,242	24,685,705	17,586,592
Unrestricted	(32,504,423)	(40,642,125)	(33,900,865)	(23,060,216)
Total primary government net position	\$ 11,076,939	\$ 13,983,948	\$ 22,670,559	\$ 25,336,230

Schedule 1

2014	2015	2016	2017	2018	2019
\$ 23,480,626	\$ 22,736,938	\$ 24,089,921	\$ 22,009,903	\$ 22,912,344	\$ 22,984,640
20,852,514	23,967,802	31,480,559	31,325,245	31,744,580	25,009,402
(14,716,290)	(8,948,033)	(9,879,406)	(3,998,944)	(281,156)	31,040
\$ 29,616,850	\$ 37,756,707	\$ 45,691,074	\$ 49,336,204	\$ 54,375,768	\$ 48,025,082
\$ 5,353,434	\$ 5,133,724	\$ 4,900,315	\$ 4,721,740	\$ 4,581,483	\$ 4,422,243
700,030	816,057	908,143	913,436	835,400	973,978
\$ 6,053,464	\$ 5,949,781	\$ 5,808,458	\$ 5,635,176	\$ 5,416,883	\$ 5,396,221
\$ 28,834,060	\$ 27,870,662	\$ 28,990,236	\$ 26,731,643	\$ 27,493,827	\$ 27,406,883
20,852,514	23,967,802	31,480,559	31,325,245	31,744,580	25,009,402
(14,016,260)	(8,131,976)	(8,971,263)	(3,085,508)	554,244	1,005,018
\$ 35,670,314	\$ 43,706,488	\$ 51,499,532	\$ 54,971,380	\$ 59,792,651	\$ 53,421,303

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities:				
General government	\$ 6,369,989	\$ 6,290,765	\$ 5,926,629	\$ 5,946,901
Public safety	16,919,404	19,094,741	17,566,816	18,335,600
Transportation	907,113	1,107,365	1,288,106	2,447,821
Economic and physical development	4,469,445	4,925,627	6,917,827	12,020,756
Environmental protection	3,130,735	3,274,042	4,032,723	3,150,593
Human Services	15,071,578	15,713,990	15,880,099	15,277,891
Cultural and recreation	4,198,808	2,108,234	3,469,307	3,485,610
Education	31,982,375	28,623,466	25,368,980	25,364,930
Interest on long term debt	3,197,911	3,087,406	2,794,930	2,095,322
Total governmental activities	86,247,358	84,225,636	83,245,417	88,125,424
Business-type activities:				
Water	798,432	849,324	815,298	909,307
Total primary government expenses	\$ 87,045,790	\$ 85,074,960	\$ 84,060,715	\$ 89,034,731

(Continued)

2014	2015	2016	2017	2018	2019
\$ 6,442,611	\$ 6,949,982	\$ 7,278,369	\$ 9,236,447	\$ 8,144,384	\$ 9,357,478
18,792,650	19,162,990	18,561,573	20,595,208	20,981,474	23,453,487
1,076,768	1,442,425	1,066,561	1,837,842	1,628,539	1,841,321
5,031,505	5,538,785	7,064,127	5,691,825	6,248,400	23,043,843
3,158,629	3,417,029	2,060,267	3,671,733	3,835,482	18,482,660
15,324,864	15,635,355	16,754,822	16,666,930	15,878,033	16,619,956
3,783,152	3,711,166	4,452,951	4,222,782	4,159,922	4,375,740
24,135,533	27,466,650	27,494,565	31,315,293	29,442,864	28,549,195
2,097,621	1,596,808	1,594,653	1,452,491	1,284,366	1,100,892
79,843,333	84,921,190	86,327,888	94,690,551	91,603,464	126,824,572
1,027,308	983,971	1,045,568	1,118,055	1,259,889	1,159,290
\$ 80,870,641	\$ 85,905,161	\$ 87,373,456	\$ 95,808,606	\$ 92,863,353	\$ 127,983,862

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 1,477,628	\$ 1,486,751	\$ 1,642,152	\$ 1,638,250
Public safety	162,804	186,134	173,546	308,908
Transportation	125,360	327,244	225,239	184,316
Economic and physical development	435,466	511,550	575,489	611,160
Environmental protection	2,243,091	2,214,925	2,189,986	2,198,355
Human services	382,602	330,817	346,126	334,799
Cultural and recreation	213,789	238,376	277,774	252,227
Operating grants and contributions:				
General government	38,218	-	5,465	22,592
Public safety	1,264,069	1,725,254	1,438,146	1,067,750
Transportation	403,443	162,064	352,943	525,199
Economic and physical development	665,788	129,447	889,989	1,103,253
Environmental protection	22,176	15,542	859,246	3,885
Human services	8,494,321	9,274,540	9,074,506	9,652,900
Cultural and recreation	7,365	3,242	405	1,280
Education	148,415	255,946	53,241	71,025
Interest on long term debt	700,000	800,000	988,351	965,660
Capital grants and contributions:				
Public safety	-	57,660	26,169	-
Transportation	-	251,957	2,400	305,185
Economic and physical development	-	-	354,984	-
Cultural and recreation	236,993	194,693	111,784	-
Education	-	-	87,984	-
Total governmental activities program revenues	17,021,528	18,166,142	19,675,925	19,246,744

(Continued)

2014	2015	2016	2017	2018	2019
\$ 1,552,817	\$ 1,612,251	\$ 1,768,252	\$ 1,805,126	\$ 1,896,230	\$ 3,036,312
293,299	212,708	290,455	269,190	276,373	240,284
193,228	177,027	135,956	140,384	157,348	152,241
513,351	544,236	646,629	805,826	862,490	755,176
2,398,662	2,431,367	3,299,900	3,271,073	3,451,334	3,533,805
370,946	367,114	642,414	816,799	489,837	431,438
269,228	297,915	318,530	361,398	350,294	373,935
-	-	-	-	-	-
1,150,055	1,201,955	1,187,152	1,249,821	892,343	1,180,590
643,090	737,800	778,800	1,071,285	1,092,649	1,473,993
119,025	547,165	95,577	661,609	342,557	5,510,341
406,301	149,085	295,188	216,576	174,854	9,558,750
9,349,318	10,211,027	10,372,796	10,836,099	9,272,539	9,496,266
26,761	88,314	-	-	-	-
45,159	48,172	40,695	36,276	32,605	72,866
921,831	904,198	865,552	762,829	742,161	720,967
-	-	-	-	-	-
-	-	222,389	26,130	274,956	228,231
-	-	-	-	22,481	-
-	-	168,320	175,470	5,500	100,000
-	-	-	2,044	54,015	-
18,253,071	19,530,334	21,128,605	22,507,935	20,390,566	36,865,195

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Business-type activities:				
Charge for services - Water	\$ 564,172	\$ 457,668	\$ 526,067	\$ 575,338
Capital grants and contributions - Water	115,605	384,395	3,618	1,751,350
Total business-type activities program revenues	679,777	842,063	529,685	2,326,688
Total primary government program revenues	\$ 17,701,305	\$ 19,008,205	\$ 20,205,610	\$ 21,573,432
Governmental activities	\$ (69,225,830)	\$ (66,059,494)	\$ (63,569,492)	\$ (68,878,680)
Business-type activities	(118,655)	(7,261)	(285,613)	1,417,381
Total primary government net (expense)/revenue	\$ (69,344,485)	\$ (66,066,755)	\$ (63,855,105)	\$ (67,461,299)

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

Governmental activities:				
Property taxes	\$ 50,528,632	\$ 51,159,340	\$ 51,442,461	\$ 50,250,954
Local option sales tax	12,277,230	12,051,519	12,895,813	13,718,008
Other taxes	4,398,904	4,595,602	4,748,326	4,615,833
Intergovernmental	462,860	677,029	780,738	793,818
Investment earnings	790,705	401,788	539,146	(69,957)
Miscellaneous	703,663	79,807	2,125,900	142,562
Special Item	-	-	-	2,000,000
Transfers	(205,000)	(305,000)	(245,000)	(231,565)
Total governmental activities	68,956,994	68,660,085	72,287,384	71,219,653
Business-type activities:				
Investment earnings	15,722	8,679	9,332	1,219
Miscellaneous	-	-	-	-
Transfers	205,000	305,000	245,000	231,565
Total business-type activities	220,722	313,679	254,332	232,784
Total primary government	\$ 69,177,716	\$ 68,973,764	\$ 72,541,716	\$ 71,452,437

Change in Net Position

Governmental activities	\$ (268,836)	\$ 2,600,591	\$ 8,717,892	\$ 2,340,973
Business-type activities	102,067	306,418	(31,281)	1,650,165
Total primary government	\$ (166,769)	\$ 2,907,009	\$ 8,686,611	\$ 3,991,138

2014	2015	2016	2017	2018	2019
\$ 562,238	\$ 576,057	\$ 576,598	\$ 584,344	\$ 678,879	\$ 711,732
-	-	-	-	-	-
562,238	576,057	576,598	584,344	678,879	711,732
\$ 18,815,309	\$ 20,106,391	\$ 21,705,203	\$ 23,092,279	\$ 21,069,445	\$ 37,576,927
\$ (61,590,262)	\$ (65,390,856)	\$ (65,199,283)	\$ (72,182,616)	\$ (71,212,898)	\$ (89,959,377)
(465,070)	(407,914)	(468,970)	(533,711)	(582,010)	(447,558)
\$ (62,055,332)	\$ (65,798,770)	\$ (65,668,253)	\$ (72,716,327)	\$ (71,794,908)	\$ (90,406,935)
\$ 50,921,192	\$ 52,302,979	\$ 49,616,653	\$ 52,093,862	\$ 53,338,473	\$ 54,449,182
13,640,870	14,800,458	15,429,458	15,628,026	17,148,416	18,298,871
5,240,019	6,476,176	6,761,921	7,077,155	7,626,941	7,759,109
964,088	966,265	1,073,420	1,144,245	1,084,553	1,195,756
285,376	198,419	269,450	359,363	633,393	1,617,950
205,888	764,879	306,748	251,132	285,414	687,823
1,128,496	-	-	-	-	-
(300,000)	(324,000)	(324,000)	(355,000)	(433,600)	(400,000)
72,085,929	75,185,176	73,133,650	76,198,783	79,683,590	83,608,691
3,487	2,200	3,647	4,881	9,403	26,896
-	1,163	-	548	-	-
300,000	324,000	324,000	355,000	433,600	400,000
303,487	327,363	327,647	360,429	443,003	426,896
\$ 72,389,416	\$ 75,512,539	\$ 73,461,297	\$ 76,559,212	\$ 80,126,593	\$ 84,035,587
\$ 10,495,667	\$ 9,794,320	\$ 7,934,367	\$ 4,016,167	\$ 8,470,692	\$ (6,350,686)
(161,583)	(80,551)	(141,323)	(173,282)	(138,007)	(20,662)
\$ 10,334,084	\$ 9,713,769	\$ 7,793,044	\$ 3,842,885	\$ 8,332,685	\$ (6,371,348)



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

	<u>2010</u>
General Fund	
Reserved for:	
State statute	\$ 5,668,864
Sheriff's fund	84,052
Recreation districts	89,129
Health programs	907,160
Register of deeds	274,802
Beach nourishment	9,550,285
Total reserve	<u>16,574,292</u>
Unreserved:	
Designated for subsequent year's expenditures	307,505
Undesignated	25,445,763
Total General Fund	<u><u>\$ 42,327,560</u></u>
 All Other Governmental Funds	
Reserved for:	
Special districts	\$ 2,430,758
	<u>2,430,758</u>
Unreserved:	
Designated for subsequent year's expenditures	1,906,995
Undesignated special revenue funds	948,533
Undesignated capital projects funds	4,280,372
Total all other governmental funds	<u><u>\$ 9,566,658</u></u>

Carteret County, North Carolina

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Restricted:				
Stabilization by state statute	\$ 8,696,639	\$ 7,544,942	\$ 5,614,618	\$ 5,613,195
Sheriff's fund	264,217	277,168	403,907	437,789
Recreation districts	94,790	102,739	102,739	102,739
Health programs	931,719	919,286	812,855	797,986
Register of deeds	311,834	341,557	383,149	375,918
Beach nourishment	10,455,564	11,102,845	5,723,261	7,312,865
Economic development	-	-	-	1,705,420
Total restricted	20,754,763	20,288,537	13,040,529	16,345,912
Assigned:				
Subsequent year's expenditures	908,485	1,441,215	1,000,000	5,254,210
Unassigned	21,762,773	25,101,604	30,527,492	30,092,051
Total General Fund	\$ 43,426,021	\$ 46,831,356	\$ 44,568,021	\$ 51,692,173
All Other Governmental Funds				
Restricted:				
Public safety	\$ 401,499	\$ 594,250	\$ 766,750	\$ 688,078
Rescue protection	1,150,690	1,386,031	1,150,716	713,377
Fire protection	1,734,943	2,002,963	1,601,729	1,723,198
School capital	2,735,522	1,958,941	12,114	12,139
Economic development	751,509	896,556	1,041,645	1,290,682
Total restricted	6,774,163	6,838,741	4,572,954	4,427,474
Committed:				
Economic development	721,756	728,994	729,674	732,706
County capital	-	-	500,000	403,529
School capital	432,914	543,229	1,540,719	903,468
Community college capital	-	-	-	-
Assigned:				
Subsequent year's expenditures	161,271	101,360	779,040	1,451,065
County capital	1,675,102	1,308,319	1,083,346	1,005,471
Unassigned:				
Special revenue funds	(680,935)	(786,060)	(855,743)	(1,033,467)
Total all other governmental funds	\$ 9,084,271	\$ 8,734,583	\$ 8,349,990	\$ 7,890,246

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

Schedule 3
Page 2 of 2

2015	2016	2017	2018	2019
\$ 6,457,421	\$ 6,608,370	\$ 6,881,419	\$ 7,170,172	\$ 8,143,941
426,804	508,301	547,341	329,103	313,632
104,081	104,081	116,336	33,898	33,898
615,523	364,036	121,577	481,368	484,242
394,275	297,572	264,390	203,560	204,369
10,283,851	13,083,623	15,986,798	18,631,010	10,679,909
1,128,497	1,128,496	1,096,663	617,948	1,029,885
19,410,452	22,094,479	25,014,524	27,467,059	20,889,876
3,717,325	3,775,000	5,205,000	5,324,430	5,300,000
30,644,570	27,941,462	28,626,430	29,046,079	21,801,623
\$ 53,772,347	\$ 53,810,941	\$ 58,845,954	\$ 61,837,568	\$ 47,991,499
\$ 881,162	\$ 1,238,771	\$ 1,003,977	\$ 918,267	\$ 1,301,653
820,427	927,601	710,162	862,519	1,081,077
1,656,221	1,261,069	1,493,758	1,249,282	1,521,484
-	4,512,122	1,438,366	139,641	-
1,494,748	1,578,144	1,457,269	1,500,474	1,611,696
4,852,558	9,517,707	6,103,532	4,670,183	5,515,910
734,594	-	-	-	-
403,529	267,038	231,541	74,436	49,177
2,130,637	1,157,070	566,343	146,313	162,112
-	750,000	765,000	1,425,000	1,425,000
2,139,650	1,113,105	593,185	774,740	90,000
820,877	3,581,667	3,268,990	3,910,622	6,364,555
(1,181,701)	(1,295,796)	(1,203,874)	(1,226,875)	(1,352,346)
\$ 9,900,144	\$ 15,090,791	\$ 10,324,717	\$ 9,774,419	\$ 12,254,408

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Taxes:				
Property	\$ 50,200,352	\$ 50,519,817	\$ 51,069,950	\$ 50,110,266
Sales and other taxes	16,676,134	16,647,121	17,644,139	18,333,841
Total taxes	66,876,486	67,166,938	68,714,089	68,444,107
Permits and fees	2,355,405	2,407,908	2,590,236	2,781,510
Intergovernmental	12,341,283	13,642,310	15,026,351	14,512,547
Sales and services	2,681,926	2,710,406	2,840,076	2,746,505
Interest	790,705	401,788	539,146	(69,957)
Miscellaneous	156,290	164,968	211,118	118,669
Total revenues	85,202,095	86,494,318	89,921,016	88,533,381
Expenditures				
General government	5,852,801	5,710,894	5,402,432	5,697,525
Public safety	16,291,686	18,135,931	16,863,612	17,548,136
Transportation	781,852	952,210	1,159,848	2,658,305
Environmental protection	3,104,110	3,189,081	4,014,786	3,104,387
Economic development	4,441,078	4,889,167	6,862,298	5,782,737
Human services	14,618,041	15,221,814	15,598,191	14,814,576
Culture and recreation	2,632,473	1,590,158	2,774,024	2,889,936
Education	21,888,541	28,623,466	22,306,178	21,265,441
Capital outlay	13,242,438	3,505,755	3,689,741	10,484,171
Debt service:				
Principal	6,217,427	6,465,073	6,615,517	6,174,180
Interest	3,188,650	2,943,555	2,883,139	2,558,945
Bond issuance cost	-	-	-	-
Total expenditures	92,259,097	91,227,104	88,169,766	92,978,339
Excess (deficiency) of of revenues over (under) expenditures	(7,057,002)	(4,732,786)	1,751,250	(4,444,958)
Other financing sources (uses):				
Transfers in	4,567,901	4,773,110	4,218,376	11,921,740
Transfers out	(4,772,901)	(5,078,110)	(4,463,376)	(12,153,305)
Proceeds from sale of capital assets	80,750	5,653,860	1,531,514	2,000,000
Special item	-	-	-	-
Bond premium	-	-	-	2,624,435
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	10,029,942	12,700,000
Payment to refunding escrow agent	-	-	(10,012,059)	(15,077,852)
Proceeds from installment note	-	-	-	-
Total other financing sources (uses)	(124,250)	5,348,860	1,304,397	2,015,018
Net change in fund balance	\$ (7,181,252)	\$ 616,074	\$ 3,055,647	\$ (2,429,940)
Debt service as a percentage of noncapital expenditures	10.33%	10.77%	10.92%	9.52%

Schedule 4

2014		2015		2016		2017		2018		2019	
\$	50,941,906	\$	52,173,675	\$	49,621,522	\$	51,948,681	\$	52,974,061	\$	54,355,973
	18,880,889		21,276,634		22,191,379		22,705,181		24,775,357		26,057,980
	69,822,795		73,450,309		71,812,901		74,653,862		77,749,418		80,413,953
	2,575,469		2,592,668		3,103,209		3,480,181		3,777,112		3,427,887
	13,625,628		14,853,980		15,099,889		16,180,325		13,416,534		29,067,046
	3,016,062		3,049,951		3,998,927		3,989,615		4,202,268		4,240,688
	285,376		198,419		269,450		359,363		633,393		1,617,950
	172,353		647,154		325,215		288,839		210,419		1,956,718
	89,497,683		94,792,481		94,609,591		98,952,185		99,989,144		120,724,242
	6,160,049		6,689,088		7,653,713		7,451,324		7,741,029		9,049,444
	18,122,055		18,728,679		18,092,186		19,862,881		20,430,532		23,065,217
	918,872		1,295,944		1,214,961		1,029,693		1,439,418		1,537,681
	3,132,347		3,395,439		3,576,906		3,645,840		3,854,481		18,502,451
	4,922,228		5,582,073		5,548,594		6,125,261		6,250,741		5,897,469
	14,719,500		15,639,871		16,312,094		16,049,596		15,286,265		16,112,972
	3,191,895		3,190,144		3,474,047		3,430,211		3,591,363		4,016,630
	21,816,743		24,173,981		23,551,049		25,173,000		25,398,749		26,180,114
	2,837,981		3,538,776		6,583,987		8,736,799		6,118,397		20,663,209
	6,520,683		6,145,377		6,393,040		6,513,867		5,661,914		5,504,773
	2,280,183		2,067,935		1,719,633		1,583,634		1,341,339		1,160,362
	-		107,922		-		-		-		-
	84,622,536		90,555,229		94,120,210		99,602,106		97,114,228		131,690,322
	4,875,147		4,237,252		489,381		(649,921)		2,874,916		(10,966,080)
	4,911,458		8,725,677		9,606,950		7,227,485		9,228,949		20,805,023
	(5,211,458)		(9,049,677)		(9,930,950)		(7,582,485)		(9,662,549)		(21,205,023)
	53,765		58,782		-		-		-		-
	1,128,496		-		-		1,273,860		-		-
	-		-		463,860		-		-		-
	-		-		4,600,000		-		-		-
	-		12,250,000		-		-		-		-
	-		(12,131,962)		-		-		-		-
	907,000		-		-		-		-		-
	1,789,261		(147,180)		4,739,860		918,860		(433,600)		(400,000)
\$	6,664,408	\$	4,090,072	\$	5,229,241	\$	268,939	\$	2,441,316	\$	(11,366,080)
	10.52%		9.26%		8.94%		8.36%		7.42%		5.15%

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)		
2010	\$ 16,549,686,285	\$ 1,512,887,462	\$ 38,970,411	\$ 61,707,853	\$ 18,163,252,011	
2011	16,534,261,525	1,571,423,205	36,106,300	69,952,621	18,211,743,651	
2012 ⁽⁵⁾	12,615,264,192	1,271,552,597	27,011,645	68,607,085	13,982,435,519	
2013	12,928,563,319	1,021,551,269	34,868,391	68,507,500	14,053,490,479	
2014	12,977,674,352	1,026,639,566	35,108,082	69,700,524	14,109,122,524	
2015	13,066,163,985	1,022,301,188	33,593,356	70,263,592	14,192,322,121	
2016 ⁽⁵⁾	11,863,427,000	1,158,966,816	40,894,377	60,528,976	13,123,817,169	
2017	12,028,089,441	1,138,917,384	40,521,183	61,238,487	13,268,766,495	
2018	12,162,660,612	1,137,063,586	35,910,900	60,610,484	13,396,245,582	
2019	12,287,126,108	1,136,878,027	35,910,900	61,950,816	13,521,865,851	

Source:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years' taxes are then required to be paid.
- (2) Public service companies' valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the North Carolina Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (5) Revaluation Years

Schedule 5

Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 847,540,430	\$ 143,635,821	\$ 19,154,428,262	0.23	\$ 16,731,393,087
935,669,710	140,251,857	19,287,665,218	0.23	15,091,511,700
952,555,055	137,116,774	15,072,107,348	0.30	15,072,107,348
990,156,693	134,766,034	15,178,413,206	0.29	15,178,413,206
1,212,368,458	129,665,570	15,451,156,552	0.29	15,451,156,552
1,049,826,237	123,526,642	15,365,675,000	0.30	15,365,675,000
1,232,232,454	142,852,043	14,498,901,666	0.30	14,498,901,666
1,307,233,688	144,399,817	14,720,400,000	0.31	14,851,089,588
1,350,774,902	145,921,774	14,892,942,258	0.31	15,892,585,912
1,429,210,534	144,287,809	15,095,364,194	0.31	16,108,594,807



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

Fiscal Year	Carteret County Operating Mileage	Overlapping Rates ¹		Total Direct and Overlapping Rates
		Municipalities Operating Mileage	Special Districts	
2010	0.2300	1.4950	1.9090	3.6340
2011	0.2300	1.5400	1.9640	3.7340
2012	0.3000	1.8880	2.0560	4.2440
2013	0.2900	1.9180	1.9985	4.2065
2014	0.2900	1.9030	1.9835	4.1765
2015	0.3000	1.9630	1.9485	4.2115
2016	0.3000	2.0865	1.9810	4.3675
2017	0.3100	2.1315	2.0663	4.5078
2018	0.3100	2.1615	2.1185	4.5900
2019	0.3100	2.2425	2.1985	4.7510

Source: Carteret County Tax Department

¹ Overlapping rates are those of municipal governments and special districts that apply to property owners within the County. Not all overlapping rates apply to all County property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

The following table provides the detail of the municipalities and special taxing districts for 10 years.

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Carteret County	0.2300	0.2300	0.3000	0.2900
Municipalities				
Atlantic Beach	0.1250	0.1250	0.1700	0.1700
Beaufort	0.2200	0.2200	0.2600	0.3000
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.1400	0.1400	0.1625	0.1525
Cedar Point	0.0550	0.0550	0.0625	0.0625
Emerald Isle	0.0700	0.0800	0.1150	0.1150
Indian Beach	0.1400	0.1500	0.2150	0.2150
Morehead City	0.2200	0.2200	0.2850	0.2850
Newport	0.3100	0.3300	0.3570	0.3570
Pelletier	0.0500	0.0550	0.0550	0.0550
Pine Knoll Shores	0.1150	0.1150	0.1560	0.1560
Fire Districts				
Atlantic	0.0700	0.0700	0.0700	0.0700
Beaufort	0.0350	0.0550	0.0550	0.0550
Broad & Gales Creek	0.0450	0.0300	0.0300	0.0300
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.0900	0.0850	0.0850	0.0850
Harkers Island	0.0650	0.0700	0.0800	0.0800
Harlowe	0.0550	0.0600	0.0750	0.0750
Marshallberg	0.0800	0.0900	0.0900	0.0900
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0750	0.0750	0.0750	0.0650
Newport	0.0700	0.0700	0.0700	0.0700
North River	0.0900	0.0900	0.0900	0.0900
Otway	0.0500	0.0500	0.0550	0.0550
Salter Path	0.0300	0.0300	0.0500	0.0600
Sea Level	0.1000	0.1000	0.0950	0.0950
South River/ Merrimon	0.0600	0.0600	0.0600	0.0600
Stacy	0.0700	0.0850	0.0850	0.0850
Stella	0.0250	0.0400	0.0400	0.0400
Western Carteret	0.0400	0.0400	0.0400	0.0400
Wildwood	0.0600	0.0650	0.0850	0.0850

(Continued)

Schedule 7
Page 1 of 2

2014	2015	2016	2017	2018	2019
0.2900	0.3000	0.3000	0.3100	0.3100	0.3100
0.1650	0.1650	0.1650	0.1650	0.1650	0.1650
0.3000	0.3300	0.3475	0.3475	0.3775	0.4135
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.1525	0.1525	0.1525	0.1975	0.1975	0.2125
0.0625	0.0625	0.0625	0.0625	0.0625	0.0625
0.1250	0.1400	0.1550	0.1550	0.1550	0.1550
0.1650	0.1650	0.1950	0.1950	0.1950	0.2250
0.3150	0.3300	0.3500	0.3500	0.3500	0.3500
0.3570	0.3570	0.3570	0.3570	0.3570	0.3570
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550
0.1560	0.1560	0.1970	0.1970	0.1970	0.1970
0.0700	0.0700	0.0800	0.0800	0.0800	0.0800
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550
0.0300	0.0300	0.0300	0.0400	0.0400	0.0400
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
0.0700	0.0700	0.0850	0.1100	0.1100	0.1100
0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
0.0900	0.0900	0.0975	0.0975	0.0900	0.0900
0.0450	0.0450	0.0450	0.0450	0.0450	0.0450
0.0550	0.0500	0.0500	0.0500	0.0500	0.0500
0.0700	0.0700	0.0700	0.0700	0.0700	0.0900
0.0900	0.0900	0.0900	0.0900	0.0700	0.0700
0.0700	0.0700	0.0700	0.0800	0.0800	0.0800
0.0600	0.0600	0.0600	0.0700	0.0700	0.0900
0.0950	0.0950	0.0950	0.0950	0.0950	0.0950
0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
0.0400	0.0400	0.0400	0.0400	0.0800	0.1000
0.0400	0.0400	0.0400	0.0400	0.0400	0.0600
0.0850	0.0675	0.0675	0.0675	0.0675	0.0675

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Rescue Districts				
Beaufort	0.0450	0.0450	0.0500	0.0500
Broad & Gales Creek	0.0300	0.0300	0.0300	0.0300
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0400	0.0400	0.0400	0.0300
Otway	0.0300	0.0300	0.0300	0.0300
Sea Level	0.1200	0.1200	0.0800	0.0600
Western Carteret	0.0300	0.0300	0.0300	0.0300
Beach Nourishment Districts				
Salter Path	-	-	0.1500	0.0500
Indian Beach Non Ocean Front	0.0100	0.0100	0.0100	0.0325
Indian Beach Ocean Front	0.0100	0.0100	0.0350	0.0850
Emerald Isle Non Ocean Front	0.0110	0.0110	0.0150	0.0150
Emerald Isle Ocean Front	0.1620	0.1620	0.0450	0.0450
Pine Knoll Shores Ocean Front	0.0160	0.0160	0.0140	0.0140
Pine Knoll Shores Non Ocean Front	0.1050	0.1050	0.0520	0.0520
Water Districts				
County Water District ¹	-	-	0.0550	0.0550

Source: Carteret County Tax Department

Notes:

¹First Year Tax District 2012

2014	2015	2016	2017	2018	2019
0.0500	0.0500	0.0550	0.0550	0.0700	0.0600
0.0300	0.0300	0.0300	0.0400	0.0400	0.0400
0.0450	0.0450	0.0450	0.0450	0.0600	0.0600
0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
0.0300	0.0300	0.0400	0.0550	0.0650	0.0650
0.0600	0.1000	0.1000	0.1000	0.1000	0.1000
0.0300	0.0300	0.0300	0.0300	0.0300	0.0500
0.0500	0.0500	0.0550	0.0550	0.0550	0.0550
0.0325	0.0300	0.0200	0.0200	0.0200	0.0100
0.0850	0.0650	0.0400	0.0400	0.0400	0.0400
0.0150	0.0000	0.0000	0.0000	0.0000	0.0000
0.0450	0.0300	0.0400	0.0400	0.0400	0.0400
0.0140	0.0140	0.0160	0.0160	0.0160	0.0160
0.0520	0.0520	0.0600	0.0600	0.0600	0.0600
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550



Carteret County, North Carolina

Schedule 8

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

		Fiscal Year 2019			Fiscal Year 2010		
				Percent of Total			Percent of Total
Name of Taxpayer	Type of Enterprise	Assessed Valuation	Rank	Assessed Valuation	Assessed Valuation	Rank	Assessed Valuation
Progress Energy Carolinas	Utility	\$ 148,295,239	1	0.982%	\$ 45,403,852	4	0.237%
Carteret Craven Electric	Utility	115,988,996	2	0.768%	52,754,965	2	0.275%
Open Grounds Farm, Inc.	Farm	99,136,261	3	0.657%	52,426,378	3	0.274%
Goose Creek Landing HOA	Real Estate	30,236,690	4	0.200%	33,632,383	5	0.176%
Time Warner Cable Southeast	Communications	25,769,829	5	0.171%	-	-	-
ITAC 192 LLC	Real Estate	24,578,515	6	0.163%	22,143,074	10	0.116%
Atlantic Newport Hospitality	Real Estate	22,038,753	7	0.146%	-	-	-
USPG Portfolia One LLC	Real Estate	20,274,257	8	0.134%	-	-	-
Stevens Towing Company	Barge Transport	20,193,619	9	0.134%	-	-	-
Weyerhaeuser Company	Real Estate	19,438,240	10	0.129%	-	-	-
Bogue Watch LLC	Real Estate	-	-	-	88,448,474	1	0.462%
Shearin Family Investment LLC	Real Estate	-	-	-	33,539,070	6	0.175%
Carolina Telephone	Utility	-	-	-	32,171,808	7	0.168%
Indian Beach Acquisition LLC	Real Estate	-	-	-	30,623,378	8	0.160%
Atlantic Veneer Corp	Manufacturing	-	-	-	27,316,074	9	0.143%
		\$ 525,950,399		3.484%	\$ 418,459,456		2.186%

Source: Carteret County Tax Department

Carteret County, North Carolina

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy) Adjustments		Collected Within the Fiscal Year of the Levy		
			Total Tax Levy (1)(2)	Amount	Percentage of Levy
2010	\$ 44,158,178	\$ (115,027)	\$ 44,043,151	\$ 42,758,524	97.08%
2011	44,397,414	(11,922)	44,385,492	43,043,486	96.98%
2012	45,203,707	(112,329)	45,091,378	43,758,543	97.04%
2013	44,109,338	(70,093)	44,039,245	42,824,327	97.24%
2014	44,863,630	(58,213)	44,805,417	43,722,134	97.58%
2015	46,118,930	(42,178)	46,076,752	45,099,962	97.88%
2016	43,572,880	(72,422)	43,500,458	42,642,837	98.03%
2017	45,841,885	(229,155)	45,612,730	44,595,689	97.77%
2018	46,325,347	(172,124)	46,153,223	45,175,396	97.88%
2019	46,870,483	(74,854)	46,795,629	45,799,705	97.87%

Notes:

(1) Includes General Fund

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

Schedule 9

Total Collections to Date			
Collections of Subsequent Years		Amount	Percentage of Levy
\$	1,227,568	\$ 43,986,092	99.87%
	1,267,136	44,310,622	99.83%
	1,222,714	44,981,257	99.76%
	1,064,344	43,888,671	99.66%
	911,856	44,633,990	99.62%
	784,805	45,884,767	99.58%
	617,665	43,260,502	99.45%
	643,505	45,239,194	99.18%
	462,787	45,638,183	98.88%
	-	45,799,705	97.87%

Carteret County, North Carolina

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Net Premiums Discounts and Adjustments	Certificates of Participation	Direct Placement Installment Loans
2010	\$ 52,330,000	\$ (137,327)	\$ 5,735,000	\$ 15,135,783
2011	48,745,000	(77,132)	5,155,000	18,489,570
2012	45,100,000	35,220	4,660,000	16,099,052
2013	40,605,000	3,464,917	4,040,000	14,339,872
2014	36,545,000	3,100,791	3,560,000	13,365,073
2015	33,475,000	2,680,697	3,090,000	11,709,696
2016	33,820,000	2,768,620	2,630,000	10,031,656
2017	29,410,000	2,417,445	2,175,000	8,382,789
2018	25,725,000	2,131,480	1,730,000	6,850,875
2019	22,100,000	1,845,515	1,290,000	5,411,102

* Information not yet available

Notes:

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

(1) See Schedule 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Personal income not available to calculate fiscal years 2018 and 2019.

Schedule 10

Direct Placement Revenue Bonds		Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
\$	-	\$ 75,706,872	\$ 1,183	2.93%
	-	75,830,822	1,184	2.87%
	-	69,241,624	1,064	2.45%
	1,046,000	65,626,109	1,064	2.27%
	1,046,000	59,576,152	862	1.97%
	1,030,000	53,773,649	778	1.77%
	1,014,000	51,881,500	744	1.64%
	997,000	44,828,426	637	1.36%
	980,000	38,692,515	548	*
	962,000	32,712,745	460	*



**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
2009	\$ 52,192,673	\$ 19,154,428,262	0.27%	2.02%	64,107	\$ 814.15
2011	48,667,868	19,287,665,218	0.25%	1.84%	65,050	748.16
2012	45,135,220	15,072,107,348	0.30%	1.60%	67,696	666.73
2013	44,069,917	15,178,413,206	0.29%	1.53%	68,645	642.00
2014	39,645,791	15,451,156,552	0.26%	1.31%	69,092	573.81
2015	36,155,697	15,365,675,000	0.24%	1.19%	70,079	515.93
2016	36,588,620	14,498,901,666	0.25%	1.15%	69,706	524.90
2017	31,827,445	14,720,400,000	0.22%	0.97%	70,401	452.09
2018	27,856,480	14,892,942,258	0.19%	*	70,620	394.46
2019	23,945,515	15,095,364,194	0.16%	*	71,084	336.86

Notes:

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

(1) NC Office of State Planning

*Personal income not available to calculate fiscal years 2018 and 2019

Carteret County, North Carolina

Computation of Legal Debt Margin
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Assessed values of property	\$ 19,154,428,262	\$ 19,287,665,218	\$ 15,072,107,348	\$ 15,178,413,206
Debt limit 8% of assessed value	1,532,354,261	1,543,013,217	1,205,768,588	1,214,273,056
Gross debt:				
Total bonded debt	58,065,000	53,900,000	49,760,000	44,645,000
Direct placement installment debt	15,135,783	18,489,570	16,099,052	14,339,872
Net bond premiums and adjustments	(137,327)	(77,132)	35,220	3,464,917
Authorized unissued bonded debt	9,710,000	9,710,000	9,710,000	9,710,000
Total amount of debt applicable to debt limit	82,773,456	82,022,438	75,604,272	72,159,789
Legal debt margin	\$ 1,449,580,805	\$ 1,460,990,779	\$ 1,130,164,316	\$ 1,142,113,267
Total net debt applicable to the limit as a percentage of debt limit	5.40%	5.32%	6.27%	5.94%

Schedule 12

2014	2015	2016	2017	2018	2019
\$ 15,451,156,552	\$ 15,365,675,000	\$ 14,498,901,666	\$ 14,720,400,000	\$ 14,892,942,258	\$ 15,095,364,194
1,236,092,524	1,229,254,000	1,159,912,133	1,177,632,000	1,191,435,381	1,207,629,136
40,105,000	36,565,000	36,450,000	31,585,000	27,455,000	23,390,000
13,365,073	11,709,696	10,031,656	8,382,789	6,850,875	5,411,102
3,100,791	2,680,697	2,768,620	2,417,445	2,131,480	1,845,515
9,710,000	9,710,000	-	-	-	-
66,280,864	60,665,393	49,250,276	42,385,234	36,437,355	30,646,617
\$ 1,169,811,660	\$ 1,168,588,607	\$ 1,110,661,857	\$ 1,135,246,766	\$ 1,154,998,026	\$ 1,176,982,519
5.36%	4.94%	4.25%	3.60%	3.06%	2.54%

Computation of Direct and Overlapping Debt
Governmental Activities Debt
June 30, 2019

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County (1)	\$ 30,646,617	100.00%	\$ 30,646,617
Overlapping			
Town of Cedar Point (2)	2,500,000	100.00%	2,500,000
Town of Newport (2)	1,908,685	100.00%	1,908,685
Town of Pine Knoll Shores (2)	2,705,000	100.00%	2,705,000
Subtotal overlapping debt	<u>7,113,685</u>		<u>7,113,685</u>
Total direct and overlapping debt	<u>\$ 37,760,302</u>		<u>\$ 37,760,302</u>

Data Sources:

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

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2010	64,107	\$ 2,583,758	\$ 40,304	8.39%	8,273
2011	65,050	2,639,299	39,174	8.35%	8,491
2012	67,696	2,824,360	41,761	9.30%	8,336
2013	68,645	2,888,870	42,214	8.48%	8,307
2014	69,092	3,021,043	43,903	6.50%	8,254
2015	70,079	3,044,352	43,442	5.76%	8,445
2016	69,706	3,172,812	45,517	5.67%	8,141
2017	70,401	3,297,436	47,871	4.83%	8,072
2018	70,620	*	*	4.35%	8,006
2019	71,084	*	*	4.66%	7,892

Data Sources:

(1) North Carolina Office of State Planning

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

(3) North Carolina Department of Commerce Division of Employment Security

(4) Carteret County Board of Education

* Information Unavailable

Principal Employers
Current Year and Ten Years Ago

Employer	2019			2010		
	Employment Range	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1000+	1	-	1,115	1	3.46%
Carteret General Hospital	1000+	2	-	1,060	2	3.29%
Carteret County	500-999	3	-	478	4	1.48%
Wal-Mart Associates Inc	250-499	4	-	420	5	1.30%
Lowes Home Improvements	250-499	5	-	268	8	0.83%
Carteret Community College	250-499	6	-	-	-	-
Big Rock Sports LLC	250-499	7	-	-	-	0.00%
Food Lion	250-499	8	-	195	10	0.61%
Lowes Foods LLC	100-249	9	-	-	-	-
Bally Refrigerated Boxes	100-249	10	-	-	-	-
NC Department of Transportation	-	-	-	494	3	1.53%
NC Natural Resources and Community Development	-	-	-	346	6	1.07%
US Coast Guard	-	-	-	273	7	0.85%
Lowes Foods	-	-	-	205	9	0.61%

Source: NC Commerce LEAD Division
2019 Employees are full time



Carteret County, North Carolina

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

Function/Program	Full-Time Equivalent			
	2010	2011	2012	2013
General government	66.40	66.60	62.85	57.85
Public safety	114.30	141.00	130.00	135.00
Transportation	2.00	2.00	2.00	3.00
Economic and physical development	17.00	17.00	17.00	14.00
Environmental protection	7.00	7.00	7.00	7.00
Human Services	169.58	169.91	169.33	169.33
Cultural and recreation	20.92	21.49	20.07	19.07
Water/Sewer (Business activity)	4.40	4.40	4.15	4.15
Total	401.60	429.40	412.40	409.40

Source: County Finance Department

Notes:

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

Full-time personnel work 2,080 hours per year (less vacation and sick leave).

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

Schedule 16

2014	2015	2016	2017	2018	2019
59.80	60.80	61.80	62.20	64.70	65.72
137.00	138.00	141.00	144.00	149.00	150.00
3.00	4.00	4.00	4.00	5.00	6.00
13.87	13.87	14.00	16.50	14.00	17.00
6.50	6.50	6.50	6.50	6.50	6.50
168.33	170.98	177.00	184.18	185.18	185.18
20.07	20.42	22.42	22.42	22.42	22.42
4.83	4.83	4.70	4.80	4.80	4.78
413.40	419.40	431.42	444.60	451.60	457.60

Carteret County, North Carolina

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

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

Sources: Various government departments.

Notes:

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

Schedule 17

2013	2014	2015	2016	2017	2018	2019
2,091	2,018	1,659	1,773	1,815	1,086	1,170
43.74	46.25	45.23	38.36	42.17	51.65	58.04
4.26	5.15	3.90	2.38	4.19	4.62	2.68
3.50	11.00	4.80	3.24	9.28	9.59	23.21
6,099	6,462	7,888	7,192	7,508	8,220	5,916
124,177	110,435	103,007	117,355	128,229	112,893	92,109
286,588	269,839	269,184	261,578	259,850	261,347	235,673
400,407	292,250	332,243	286,530	227,773	206,564	298,768
35	25	18	15	14	13	14
2	2	-	-	1	1	1
125	127	117	118	119	121	121

Carteret County, North Carolina

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

	Fiscal Year			
	2010	2011	2012	2013
Function				
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	24	24	24	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	159	159	163	163
Parks	7	7	9	9
Tennis courts	5	5	14	14
Community centers	2	2	3	3
Public libraries	4	4	5	5
Water:				
Water mains (miles)	48	51	51	51
Maximum daily capacity	600,000	600,000	600,000	600,000

Sources: Various county departments.

Notes:

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

Schedule 18

2014	2015	2016	2017	2018	2019
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
163	163	163	163	163	163
9	9	9	9	9	9
14	14	14	14	14	14
3	3	3	3	3	3
5	5	5	5	5	5
51	51	51	51	51	51
600,000	600,000	600,000	600,000	600,000	600,000



Compliance Section

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.



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

Independent Auditor's Report

To the Board of County Commissioners
Carteret County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2019. Our report includes a reference to other auditors who audited the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, as described in our report on the County's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Carteret County General Hospital Corporation and Carteret County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as finding 2019-001 that we consider to be a material weakness.

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Compliance and Other Matters

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

County Response to Finding

Carteret County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

Morehead City, North Carolina
November 26, 2019

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance and the State Single Audit
Implementation Act**

RSM US LLP

Independent Auditor's Report

To the Board of County Commissioners
Carteret County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Carteret County, North Carolina's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of the County. Our audit of compliance, described below, did not include the operations of the Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and the ABC Board because the financial statements of the Carteret County General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as finding 2019-002, that we consider to be a material weakness.

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
November 26, 2019



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

Independent Auditor's Report

To the Board of County Commissioners
Carteret County, North Carolina

Report on Compliance for Each Major State Program

We have audited Carteret County, North Carolina's (the County) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019. The County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of the County. Our audit of compliance, described below, did not include the operations of the Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and the ABC Board because the financial statements of the Carteret County General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, applicable sections of the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on the Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as finding 2019-003, that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

RSM VS LLP

Morehead City, North Carolina
November 26, 2019

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>X</u>	Yes	<u></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>X</u>	Yes	<u></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:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

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

<u>Program Name</u>	<u>CFDA</u>
1571 Administrative Costs - Crosscutting Requirements:	
Supplemental Nutrition Assistance Program	10.561
Subsidized Child Care Cluster	93.575
Medical Assistance	93.778
Temporary Assistance for Needy Families	93.558
Children's Health Insurance Program	93.767
IV-D Child Support	93.563
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

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

\$750,000

Auditee qualified as low-risk auditee?

<u>X</u>	Yes	<u></u>	No
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(Continued)

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified?

 X Yes

 No

Significant deficiency(ies) identified?

 Yes

 X None reported

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

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act?

 X Yes

 No

Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
1571 Administrative Costs - Crosscutting Requirements	N/A
Division of Water Resources-Bogue Banks Master Beach Renourishment Project	N/A

(Continued)

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

II - Financial Statement Findings

Material Weakness in Internal Control- FEMA Revenue Adjustment
Finding 2019-001

Criteria: Government Accounting Standards Board (GASB) Codification Section N50 states that recipients of voluntary non-exchange transaction grants should recognize receivables and revenues when all applicable eligibility requirements have been met. Per the Office of Management and Budget (OMB) Compliance Supplement 210- 4- 97.036-12, for eligible expenses to be incurred, FEMA must approve the non-federal entity's Project Worksheet (PW). GASB Codification Section 1600 states governmental funds should be presented using the current resources measurement focus and modified accrual basis of accounting. Per the County's revenue recognition policy, all governmental revenues are considered available if received within 90 days of year end.

Condition and Context: The County recorded \$6,351,469 of FEMA Disaster Grants - Public Assistance grant revenue and federal expenditures incurred during the fiscal year related to Hurricane Florence prior to receiving the appropriate "Notice of Obligation" from FEMA for the applicable PWs. The Notice of Obligation is FEMA's official approval of a PW. Additionally, the County did not appropriately defer \$2,719,648 of FEMA grant revenue not received within 90 days of year end. Furthermore, the balances reported in the Schedule of Expenditures of Federal and State Awards (SEFSA) are required to be reconciled to the basic financial statements prepared in accordance with generally accepted accounting principles in the United States (US GAAP). Therefore, the balances reported in the SEFSA were also overstated by \$6,351,469.

Effect: Intergovernmental revenue was overstated by \$6,351,469, accounts receivable was overstated by \$3,631,821 and deferred revenue was understated by \$2,719,648 in the General Fund. Federal and State expenditures on the Schedule of Expenditures of Federal and State Awards for the FEMA Disaster Grants - Public Assistance program were overstated by \$4,763,602 and \$1,587,867, respectively.

Cause: Insufficient review of the complex and unique revenue recognition requirements of FEMA Disaster Assistance Grants.

Recommendation: We recommend the County perform a thorough review of the revenue recognition and federal expenditure recognition requirements for all new grants received each year and additionally provide training to appropriate staff to aid in proper identification and recognition of federal and State grant revenue and expenditure amounts.

Management's Response: See corrective action plan.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

III - Findings and Questioned Costs for Federal Awards

Material Weakness in Internal Control Over Compliance - Medical Assistance (MA)
Finding 2019-002

US Department of Health and Human Services

Passed through the NC Department of Health and Human Services (NC DHHS)
Program Name: Medical Assistance Program (MA)
CFDA # 93.778

Criteria: Per the NC Department of Health and Human Services-Division of Health Benefits, the County Department of Social Services Agency is responsible to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan (42 CFR Section 431.10).

Condition and Context: Of the 77 claims tested we noted the following: 10 cases which included incorrect countable and/or non-countable income resulting in incorrect budget calculations; 2 cases which included incorrect tax filing status which is required under the Modified Adjusted Gross Income (MAGI) for proper eligibility determinations for Family and Children's' Medicaid; 2 cases where agency caseworkers failed to react timely to a change in client's situation; 2 cases which included incorrect countable resources; 2 cases in which the local Carteret County DSS Agency internal control required Family & Children's' Medicaid manual checklist and budget was not completed and present in the case file documentation. This is not a state requirement but simply a local agency policy used to ensure accuracy and proper input into NCFAS. All are considered procedural agency internal control deficiencies which did not affect the overall eligibility of the cases.

Effect: Potential for ineligible applicant to receive benefits.

Cause: Administrative oversight.

Questioned Costs: None noted.

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

Management's Response: See corrective action plan.

IV - Findings and Questioned Costs for State Awards

Material Weakness in Internal Control Over Compliance - Medical Assistance (MA)
Finding 2019-003

US Department of Health and Human Services

Passed through the NC Department of Health and Human Services (NC DHHS)
Program Name: Medical Assistance Program (MA)
CFDA # 93.778

See Section III. Federal Award Findings and Questioned Costs, Finding 2019-002

Questioned Costs: None

Management's Response: See corrective action plan.

CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



Tel: (252) 728-8410
Fax: (252) 728-0133
deem@carteretcountync.gov
www.carteretcountync.gov

Corrective Action Plan

Material Weakness in Internal Control – FEMA Revenue Adjustment
Finding 2019-001

Carteret County will review revenue and expenditure recognition requirements for new federal and state grants. Federal and State grant funding continues to become more complex, and as a result, the County staff will continue to seek specific training on grant programs received. When specific grant program training and guidance is not available, the County may hire consultants to provide specific and detailed expertise.

A handwritten signature in cursive script, appearing to read "Tommy Burns".

Tommy Burns
County Manager

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

Dee Meshaw
Assistant County Manager

CARTERET COUNTY DEPARTMENT OF HUMAN SERVICES

Cindy P. Holman
Consolidated Human Services Director
cindy.holman@carteretcountync.gov



Clinton W. Lewis
DSS Director
Consolidated Human Services Deputy Director
clint.lewis@carteretcountync.gov

Stephanie M. Cannon, MPA
Health Director
Consolidated Human Services Deputy Director
stephanie.cannon@carteretcountync.gov

Corrective Action Plan (Continued)

Material Weakness in Internal Control Over Compliance – Medical Assistance (MA)

Findings 2019-002 and 2019-003

Following, each area is stated with a corresponding training date to address the deficiencies:

	Deficiency	Training Date
1	10 cases which included incorrect countable and/or non-countable income resulting in incorrect budget calculations	Budget Training <ul style="list-style-type: none">November 21, 2019December 12, 2019
2	2 cases which included incorrect tax filing status which is required under the Modified Adjusted Gross Income (MAGI) for proper eligibility determinations for Family and Childrens' Medicaid	Tax Filing Status Training <ul style="list-style-type: none">December 12, 2019
3	2 cases where agency caseworkers failed to react timely to a change in client's situation	Timely Reaction to Client Changes Training <ul style="list-style-type: none">December 12, 2019
4	2 cases which included incorrect countable resources	Countable Resource Training <ul style="list-style-type: none">September 30, 2019October 17, 2019December 12, 2019
5	2 cases in which the local Carteret County DSS Agency internal control required Family & Childrens' Medicaid manual checklist and budget was not completed and present in the case file documentation	Agency Internal Control Training <ul style="list-style-type: none">December 12, 2019

As indicated above, several trainings have been completed and all will be completed by December 12, 2019.

Clinton W. Lewis
DSS Director



Carteret County, North Carolina

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

None reported.

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019**

	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		\$ 22,489	\$ -	\$ -
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		262,825	-	6,325
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp					
Food and Nutrition Services Cluster:					
Food Stamp Admin	10.561		499,777	65,251	434,526
Food Stamp Fraud Admin	10.561		40,126	-	40,126
Total Food and Nutrition Services Cluster:			539,903	65,251	474,652
Total US Department of Agriculture			825,217	65,251	480,977
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid	11.419		6,165	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools	15.225		46,071	-	-
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		172,264	10,766	32,299
Capital Grant	20.509		256,205	32,026	32,026
Elderly Individuals and Individual with Disabilities	20.513		125,000	-	125,000
FEMA Recovery 19-FE-054	20.527		15,517	-	-
Total US Department of Transportation			568,986	42,792	189,325

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Justice					
Administered by County Rape Crisis Department					
Basic SA Services	16.575		41,956	-	10,489
Bi-Lingual Victim Advocate/ Interpreter	16.575		24,953	-	6,238
Total US Department of Justice			66,909	-	16,727
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:					
HCCBG In-Home Support Services Title III	93.044		94,757	5,574	11,148
HCCBG Preventive Health	93.043		13,866	816	1,631
HCCBG Congregate Nutrition Title III C1	93.045		59,403	3,494	6,989
HCCBG Home Delivered Meals Title III C2	93.045		21,468	1,263	2,526
NSIP-Nutrition	93.053		10,750	-	-
Total Aging Cluster			200,244	11,147	22,294
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council:					
HCCBG In-Home Support Services SSBG	93.667		52,797	1,508	6,034
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):					
Work First Administration	93.558		131,218	-	127,597
Work First Service	93.558		590,527	-	489,470
Total TANF			721,745	-	617,067
Family Preservation	93.556		41,732	-	-
AFDC Payments & Penalties	93.560		(79)	(22)	(22)

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
IV-D Administration	93.563		\$ 535,545	\$ -	\$ 275,887
IV-D Offset Fees ESC	93.563		32	-	16
IV-D Offset Fees Federal	93.563		1,740	-	896
			<u>537,317</u>	<u>-</u>	<u>276,799</u>
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		200,500	-	-
Administration	93.568		39,369	-	-
Crisis Intervention payments	93.568		91,635	-	9,165
			<u>331,504</u>	<u>-</u>	<u>9,165</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care Cluster					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		71,549	-	-
Total Child Care Fund Cluster			<u>71,549</u>	<u>-</u>	<u>-</u>
Total Subsidized Child Care Cluster			<u>71,549</u>	<u>-</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:					
Special	93.645		17,210	-	5,737
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		86,545	26,423	60,121
IV-E Optional Adopt TRN 50%	93.659		4,178	-	4,178
IV-E Family Foster Care MAX	93.658		3,059	-	1,493
Foster Care payments	93.658		158,195	40,737	36,372
IV-E Foster Care /OFF TRN	93.658		232,758	-	232,758
IV-E Foster Care TRN	93.658		6,960	-	2,320
IV-E Foster Care & Extended Max	93.658		4,776	1,168	1,168
IV-E Admin County Paid to CCI	93.658		50,606	25,303	25,303
IV-E Admin Foster Care	93.658		27	-	27
IV-E Adoption / Off Trn	93.659		8,105	-	8,105
IV-E adoption subsidy and vendor	93.659		113,664	-	114,079
IV-E Adopt	N/A		258	-	-
Foster Care	N/A		42,140	-	-
Total Foster Care and Adoption Cluster			<u>711,271</u>	<u>93,631</u>	<u>485,924</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
In-home services	93.667		\$ 6,323	\$ -	\$ 903
In-home Services over 60	93.667		441	-	63
In-home Services - SSBG other services	93.667		173,221	-	57,740
CPS TANF to SSBG	93.667		45,863	-	-
			<u>225,848</u>	<u>-</u>	<u>58,706</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		1,493	-	-
Links	93.674		8,376	2,094	-
			<u>9,869</u>	<u>2,094</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					
MA Expansion (MAC)	93.778		129,745	-	129,745
ADT CR HM CS Mgt/Spec	93.778		23,574	6,804	16,770
State County Special Assistance	93.778		30,132	-	10,044
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		1,357,753	-	453,834
Transportation Administration	93.778		135,048	-	135,048
			<u>1,676,252</u>	<u>6,804</u>	<u>745,441</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		60,460	-	-
			<u>60,460</u>	<u>-</u>	<u>-</u>
Centers for Disease Control and Prevention					
Passed through NC Department of Health and Human Services:					
Centers for Medicare and Medicaid Services					
Division of Medical Assistance					
Medical Assistance Program - Cost Settlement	93.778		304,512	-	-
			<u>304,512</u>	<u>-</u>	<u>-</u>
Administered by Carteret County Health Department					
Preparedness (PHEP) Aligned Cooperative Agreements & PHEP Ebola	93.074		28,436	-	19,524
North Carolina's Tuberculosis Elimination and Laboratory Project	93.116		50	-	40,385
Prevent Disease, Disability and Death From Vaccine Prevention	93.268		14,824	-	100,190
Preventive Health & Human Services Block Grant funded solely with Prevention & Public Health Funds (PPHF)	93.758		46,159	-	82,987
Prescription Drug Overdose (PDO) Prevention	93.136		-	-	747
Viral Hepatitis Prevention and Control	93.270		5,000	-	2,749
			<u>94,469</u>	<u>-</u>	<u>246,582</u>
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
State Based Comprehensive B & CC Early Detection Programs	93.898		12,750	-	27,466
Maternal & Child Health Services Block Grant	93.994		59,195	-	574,970
			<u>71,945</u>	<u>-</u>	<u>602,436</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Office of Population Affairs Passed through NC Department of Health and Human Services: Office of Population Affairs Family Planning Service	93.217		\$ 95,004	\$ -	\$ 238,683
Administration for Community Living Passed through NC Department of Insurance Administered by Carteret County Aging Medicare Improvements for Patients and Providers Act "MIPPA"	93.071	14AANCMSHI	5,631	-	-
Seniors' Health Insurance Information Program	93.324		4,982	-	-
			10,613	-	-
Total US Department of Health and Human Services			5,234,262	115,162	3,314,846
US Department of Homeland Security					
Passed through NC Department of Public Safety Division of Emergency Management Administered by Carteret County Emergency Management Department					
Emergency Management Performance Grant Program "EMPG"	97.042	EMA-2016-EP-00002-S01	37,636	-	-
FEMA Disaster Grant Public Assistance	97.036		7,164,199	2,143,842	-
Total US Department of Homeland Security			7,201,835	2,143,842	-
State Assistance					
NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Energy Assistance, Private Grants			-	8,575	-
County Funded Programs			-	-	2,123,481
Non-Allocating County Cost			-	-	252,578
St Child Welfare/ CPS/ CS LD			-	27,927	-
SAA/SAD HB 1030			-	-	18,802
Extended FC/MAC Non IV-E			-	3,194	-
Work First Non Reimbursable			-	-	439,716
AFDC Incent / Prog Integrity			-	1,147	-
CWS Adopt Subsidy & Vendor			-	-	67,732
SC/SA Domiciliary Care Payment			-	-	320,840
SFHF Maximization			-	44,651	44,651
CSE Disaster Non Reimbursable			-	-	20,056
State Foster Home			-	78,352	78,352
			-	163,846	3,366,208

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access			\$ -	\$ 11,018	\$ 1,224
HCCBG - In Home Support			-	156,123	17,347
HCCBG - Home Delivered Meals			-	14,043	1,560
			-	181,184	20,131
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	28,728	-
General Aid to County			-	80,166	157,313
Communicable Disease			-	1,756	53,053
Breast and Cervical Cancer Program			-	14,025	-
Child Health			-	9,367	-
Maternal Health (HMMC)			-	39,869	-
Women's Health Service Fund			-	15,788	-
HIV/STD State			-	500	-
HIV/ STD Prevention and Care			-	1,488	-
Tuberculosis			-	12,493	-
Zika Virus Mosquito Control			-	16,000	-
Mosquito Abatement (Hurricane Florence)			-	156,075	-
School Nurse Funding Initiative			-	50,000	-
			-	426,255	210,366
Total NC Department of Health and Human Services			-	771,285	3,596,705
NC Department of Environmental Quality:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	28,833	-
Scrap Tire Disposal			-	97,691	-
			-	126,524	-
Environmental Assistance and Customer Service Division:					
Administered by County Public Works Department:					
Downeast Electronics Recycling Program		7596	-	3,381	569
Division of Coastal Management					
Administered by the County Planning Department					
NC Public Beach and Coast Waterfront Access Program		6732	-	58,841	19,614
Division of Water Infrastructure					
Administered by County General Services Office					
Merger/Regionalization Feasibility Study			-	21,180	-
Division of Water Resources:					
Administered by County Shore Protection Office:					
Waterway and Dredging Projects			-	281,909	140,934
Bogue Banks Master Beach Renourishment Project			-	5,000,000	12,029,818
Post-Florence Topographic and Hydrographic Surveying			-	126,800	-
Bogue Banks Coastal Storm Damage Reduction Project			-	173,487	173,487
			-	5,582,196	12,344,239
Total NC Department of Environmental Quality			-	5,792,122	12,364,422

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Public Safety:					
Division of Emergency Management					
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program					
			-	62,449	-
Easter Seals Home Based Services - Building Bridges					
			-	47,236	50,148
Juvenile Crime Prevention					
			-	5,336	225
Teen Court					
			-	50,455	-
			-	165,476	50,373
Total NC Department of Public Safety			-	165,476	50,373
NC Department of Military and Veteran Affairs					
Office of Fiscal Management					
Administered by the County Veterans Services					
Veteran Services					
			-	2,216	377,963
Total NC Department Military and Veteran Affairs			-	2,216	377,963
NC Department of Administration:					
Division of NC-CFW					
Administered by the County Rape Crisis Department					
Sexual Assault Grant Rape Crisis					
			-	50,116	10,023
Total NC Department of Administration			-	50,116	10,023
NC Department of Commerce					
Rural Economic Development Division					
Administered by the County Economic Development Department					
Geodynamics/Project Sloan					
			-	40,000	-
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation					
			-	600,000	-
NC Department of Transportation					
Administered by the Carteret County General Services Department					
North River VFD Paving					
		DOT-18	-	16,805	-
Administered by the Carteret County Transportation Department					
FY18 Con CPT Coordination Operating Grant					
		19-CO-054	-	138,391	138,391
DOT ROAP RGP Grant					
		DOT-17CL	-	96,159	9,616
DOT ROAP Employment Grant					
		DOT-17CL	-	17,827	-
DOT Elderly and Disabled					
		DOT-17CL	-	80,393	-
			-	349,575	148,007
Total NC Department of Transportation			-	349,575	148,007
Total Federal Expenditures			<u>\$ 13,949,445</u>		
Total State Expenditures				<u>\$ 10,137,837</u>	
Total Local Expenditures					<u>\$ 20,549,368</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, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (the "Schedule") includes the federal and State award activity of Carteret County, North Carolina, primary government, under programs of the federal and State government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Carteret County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carteret County.

Note 2. Summary of Significant Accounting Policies

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

In accordance with guidance issued by the United States Department of Agriculture (USDA), Food and Nutrition Service Division, direct benefits payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$10,671,310 have not been reported as expenditures in the basic financial statements or in the Schedule.

Carteret County does not have any federal or State amounts passed through subrecipients.

Note 3. Relationship to Fund Financial Statements

Substantially all federal and State financial award programs (other than direct benefit payments - see Note 13 to the financial statements) are accounted for in the County's governmental and proprietary funds.

Note 4. Loans Outstanding

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

The following is a summary of changes in the County's long-term outstanding loan balances of the USDA Water Revenue Bond and the NC Department of Environment and Natural Resources (NCDENR) Drinking Water State Revolving Fund for the fiscal year ended June 30, 2019:

	Beginning Balance June 30, 2018	Additions	Retirements	Ending Balance June 30, 2019
Revenue Bond	\$ 980,000	\$ -	\$ 18,000	\$ 962,000
Installment purchase obligations	1,275,160	-	171,032	1,104,128
	<u>\$ 2,255,160</u>	<u>\$ -</u>	<u>\$ 189,032</u>	<u>\$ 2,066,128</u>

Note 5. Cluster of Programs

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

Note 6. Indirect Costs

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

