

## Management's Discussion and Analysis

As management of Harnett County, we offer readers of Harnett County's financial statements this narrative overview and analysis of the financial activities of Harnett County for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

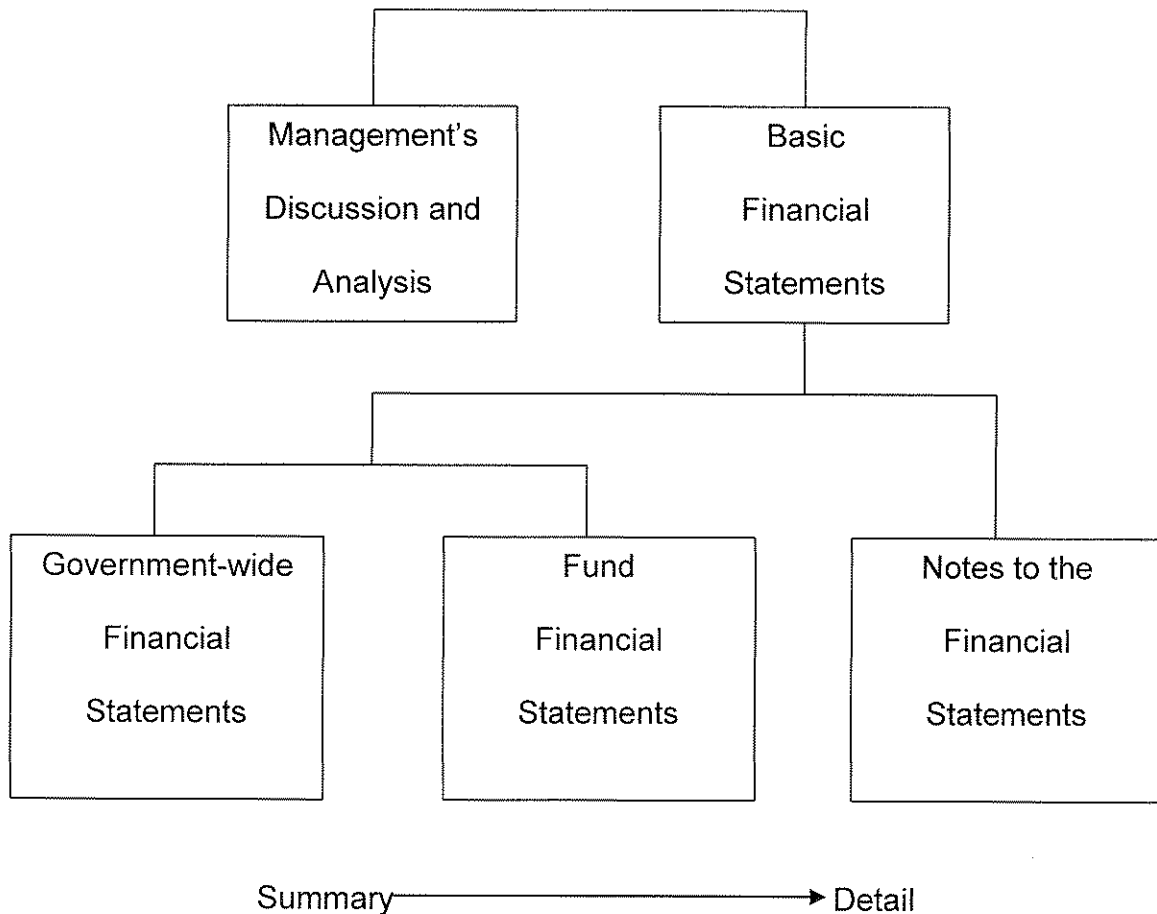
- The assets of Harnett County exceeded its liabilities at the close of the fiscal year by \$89,007,511 (net assets).
- The government's total net assets increased by \$19,705,925. This increase was due to the amount by which capital outlay in the Governmental Activities exceeded depreciation and the Capital Contributions for the Business-type activities.
- In accordance with North Carolina law, liabilities of the County include approximately \$50 million in long-term debt associated with assets belonging to the Harnett County Board of Education and Central Carolina Community College. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a corresponding lower net asset amount.
- As of the close of the current fiscal year, Harnett County's governmental funds reported combined ending fund balances of \$29,235,265, a decrease of \$430,512 in comparison with the prior year. Approximately 44.35% of this total amount, or \$12,967,416, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$6,721,581, or 7.93% percent of total general fund expenditures for the fiscal year.
- Harnett County's total debt increased by \$3,787,968 (3.52%) during the current fiscal year. Although the amount of outstanding debt decreased as a result of payments on the principal, the total debt increased as a result of new obligations for the Qualified Zone Academy Bonds and a Sanitary Sewer Revolving Loan.
- Harnett County maintained its A3 and A bond ratings for Certificates of Participation and Aaa and AAA bond rating for General Obligations.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Harnett 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 Harnett County.

### Required Components of Annual Financial Report



#### Basic Financial Statements

The first two statements (Pages D-1 and D-2) 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 (Pages E-1 through E-12) 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 the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as general government, public safety, environmental protection, transportation, economic and physical development, human services, cultural and recreational and education. Property 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 and sewer and solid waste services offered by Harnett County.

The government-wide financial statements are on Pages D-1 and D-2 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. Harnett County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Harnett County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Harnett 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 balances. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Harnett 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. Harnett County uses enterprise funds to account for its water and sewer activity and for its solid waste management fund. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

**Notes to the 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 the financial statements are on pages F-1 through F-40 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Harnett County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page G-1 of this report.

### **Government-Wide Financial Analysis**

Harnett County is in its fourth year of financial reporting based on the requirements of GASB 34. Effective with fiscal year 2004, all units of government across the United States were required to comply with this accounting standard. Prior to fiscal year 2003, Harnett County maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of Harnett County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Harnett County exceeded liabilities by \$89,007,511 as of June 30, 2006. The County's net assets increased by \$19,705,925 for the fiscal year ended June 30, 2006.

The largest portion totaling \$115,693,911 reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Harnett County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Harnett 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 the capital assets cannot be used to liquidate these liabilities.

## Harnett County's Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Cash and investments	\$ 16,208,899	\$ 19,968,808	\$ 5,410,878	\$ 4,671,090	\$ 21,619,777	\$ 24,639,898
Taxes receivable, net	1,138,610	1,604,280	2,734	31,324	1,141,344	1,635,604
Accounts receivable, net						
Accounts	2,439,794	1,495,075	7,015,442	3,228,996	9,455,236	4,724,071
Restricted intergovernmental	7,068,205	6,094,671	36,000	84,920	7,104,205	6,179,591
Other	12,244	20,688	-	-	12,244	20,688
Cash on deposit with escrow agent	6,190,215	4,760,138	-	-	6,190,215	4,760,138
Bond issue costs, net	212,460	247,870	365,566	403,191	578,026	651,061
Inventories	15,768	11,405	286,984	254,746	302,752	266,151
Capital assets:						
Nondepreciable	12,508,880	7,796,964	31,004,918	9,957,742	43,513,798	17,754,706
Depreciable	36,221,300	36,462,529	88,263,968	88,648,107	124,485,268	125,110,636
Total assets	<u>82,016,375</u>	<u>78,462,428</u>	<u>132,386,490</u>	<u>107,280,116</u>	<u>214,402,865</u>	<u>185,742,544</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	1,772,289	1,793,503	5,318,016	492,571	7,090,305	2,286,074
Accrued interest payable	312,748	627,237	186,246	164,425	498,994	791,662
Customer deposits	-	-	807,357	627,256	807,357	627,256
Unearned revenue	927,571	891,505	50,449	25,933	978,020	917,438
Claims payable	346,951	207,514	-	-	346,951	207,514
Long-term liabilities:						
Due in less than one year	7,756,725	6,991,491	3,189,328	2,966,460	10,946,053	9,957,951
Due in more than one year	60,779,950	65,793,274	43,947,724	35,859,789	104,727,674	101,653,063
Total liabilities	<u>71,896,234</u>	<u>76,304,524</u>	<u>53,499,120</u>	<u>40,136,434</u>	<u>125,395,354</u>	<u>116,440,958</u>
<b>Net assets</b>						
Capital assets, net of related debt	39,542,666	32,281,393	76,151,245	63,266,357	115,693,911	95,547,750
Restricted for:						
Capital projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Unrestricted	(29,422,525)	(30,123,489)	2,736,125	3,877,325	(26,686,400)	(26,246,164)
Total net assets	<u>\$ 10,120,141</u>	<u>\$ 2,157,904</u>	<u>\$ 78,887,370</u>	<u>\$ 67,143,682</u>	<u>\$ 89,007,511</u>	<u>\$ 69,301,586</u>

As with many counties in the State of North Carolina, the County's unrestricted net assets, is low or negative due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Central Carolina Community College (CCCC). Under North Carolina law, the County is responsible for providing capital funding for the school systems. The County has chosen to meet its legal obligation to provide the school systems capital funding by using a mixture of County funds. The assets funded by the County, however, are owned and utilized by the school systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$50 million of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements. However, the school system's related debt is installment purchases financed by the governmental funds and are repaid from the resources of the General Fund. 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 which they become due.

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes achieved a collection percentage of 96.75%, which is slightly above the 2005 statewide average of 96.10% for the County's population group.
- Increased charges for services revenue due to growth in the use of County facilities.
- Continued low cost of debt due to the County's high bond rating
- The amount of cash on deposit with an escrow agent increased from the prior year for the COPS 2002 School Debt Service Reserve Fund. This increase was the result of the funds which are set aside by the County each year.
- Accounts receivable for the governmental activities increased due to sales tax revenue and grant programs.
- Accounts receivable for the Business-type Activities increased from the prior year due to an increase in the fees. The daily average consumption of water increased from 7,500,000 gallons to 8,200,000, the number of water service connections increased from 30,318 to 35,522 and the number of sewer connections increased from 4,765 to 7,080.
- Capital assets increased for business-type activities as a result of the number of on-going construction projects.



## Harnett County Changes in Net Assets

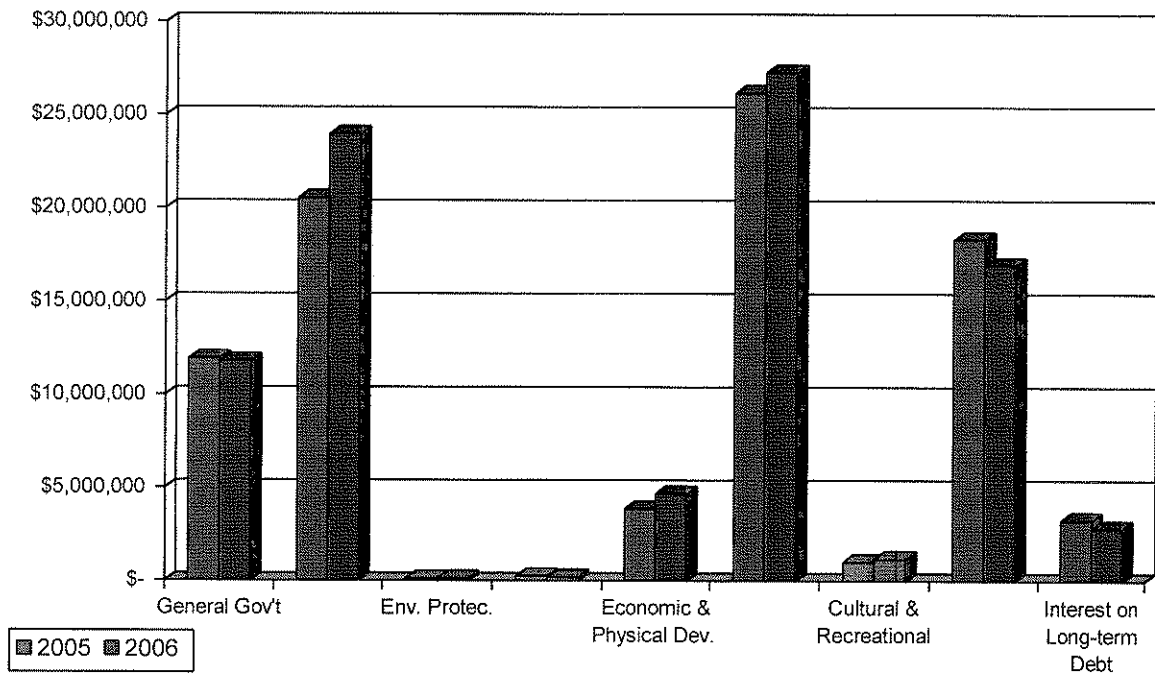
	Governmental Activities		Business-type Activities		Total
	2006	2005	2006	2005	
<b>Revenues:</b>					
Program revenues:					
Charges for services	\$ 11,799,500	\$ 10,541,856	\$ 19,058,206	\$ 16,964,570	\$ 27,506,426
Operating grants and contributions	21,080,304	20,907,024	411,375	24,934	20,931,958
Capital grants and contributions	2,200	42,451	8,773,746	3,010,914	3,053,365
General revenues:					
Property taxes	40,420,076	38,052,769	-	-	38,052,769
Other taxes	19,051,924	17,796,236	101,665	95,571	17,891,807
Grants and contributions not restricted to specific programs	1,462,300	86,153	-	-	86,153
Other	2,971,570	3,271,614	209,016	129,887	3,401,501
Total revenues	<u>96,787,874</u>	<u>90,698,103</u>	<u>28,554,008</u>	<u>20,225,876</u>	<u>110,923,979</u>
<b>Expenses:</b>					
General government	11,780,292	11,922,720	-	-	11,922,720
Public safety	23,948,439	20,528,975	-	-	20,528,975
Environmental Protection	121,443	115,279	-	-	115,279
Transportation	216,201	244,706	-	-	244,706
Economic and physical development	4,678,094	3,876,732	-	-	3,876,732
Human services	27,257,065	26,148,326	-	-	26,148,326
Cultural and recreation	1,188,384	1,025,861	-	-	1,025,861
Education	16,948,707	18,325,234	-	-	18,325,234
Interest on long-term debt	2,838,662	3,280,078	-	-	3,280,078
Landfill	-	-	3,473,564	3,267,650	3,267,650
Water and sewer	-	-	13,185,106	11,415,915	11,415,915
Total expenses	<u>88,977,287</u>	<u>85,467,911</u>	<u>16,658,670</u>	<u>14,683,565</u>	<u>100,151,476</u>
Increase in net assets before transfers	7,810,587	5,230,192	11,895,338	5,542,311	10,772,503
Transfers	151,650	1,884,185	(151,650)	(1,884,185)	-
Increase/(decrease) in net assets	7,962,237	7,114,377	11,743,688	3,658,126	10,772,503
Net assets, July 1	2,157,904	(4,956,473)	67,143,682	63,485,556	58,529,083
Net assets, June 30	<u>\$ 10,120,141</u>	<u>\$ 2,157,904</u>	<u>\$ 78,887,370</u>	<u>\$ 67,143,682</u>	<u>\$ 69,301,586</u>



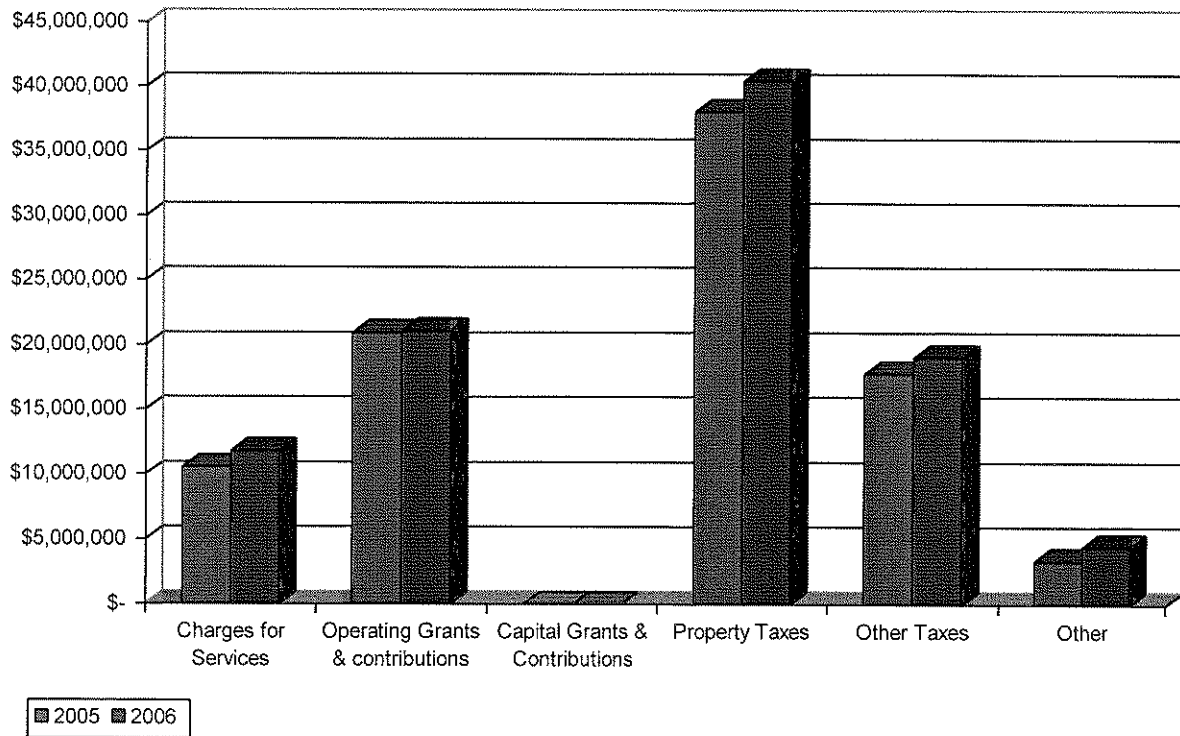
**Governmental activities.** Governmental activities increased the County's net assets by \$7,962,237. Key elements of this increase are as follows:

- Under General Revenues, property taxes increased by 6.22%. This was due to the increase in the collection of property taxes as the County continues to aggressively collect these funds.
- Sales tax revenue increased \$1,161,054, or 6.84%, over the prior year and contributed significantly to the overall increase in Other Taxes. Sales tax continues to increase due to growth in the County.
- Charges for Services increased 11.93% over the prior year due in part to the billings for Emergency Medical Transport. The County took over the operation of the Emergency Medical Transport Department during August, 2005; therefore these activities are not reflected in the prior year financial statements. Revenue for Home Health Services also increased over the prior year due to an increase in patient referrals and patients in need of physical therapy services.
- Program Revenues show a slight increase in Operating Grants and Contributions of .8% which was a result in the increase of Social Services Admin as well as new grants such as Homeland Security, Harnett Viper Radio Governor's Highway Safety and E. Byrne Justice Assistance grants.
- General Government expenses reflected an overall decrease over the prior year due to the closing of several capital projects.
- Public Safety expenditures increased 16.65% over the prior year. As stated earlier, a large part of this increase was due to the County's assumption of responsibility for the Emergency Medical Transport Department which provides medical transportation for the residents of Harnett County. The Sheriff and Jail also contributed to this increase as a result of cost of living for employees, increase in the cost of fuel due to rising gasoline prices and the cost associated with an increase in the inmate population.
- The County continued its commitment to the development of industry within the County during the year as evidenced by the increase in Economic and Physical Development expenses over the prior year.

### Expenses – Governmental Activities



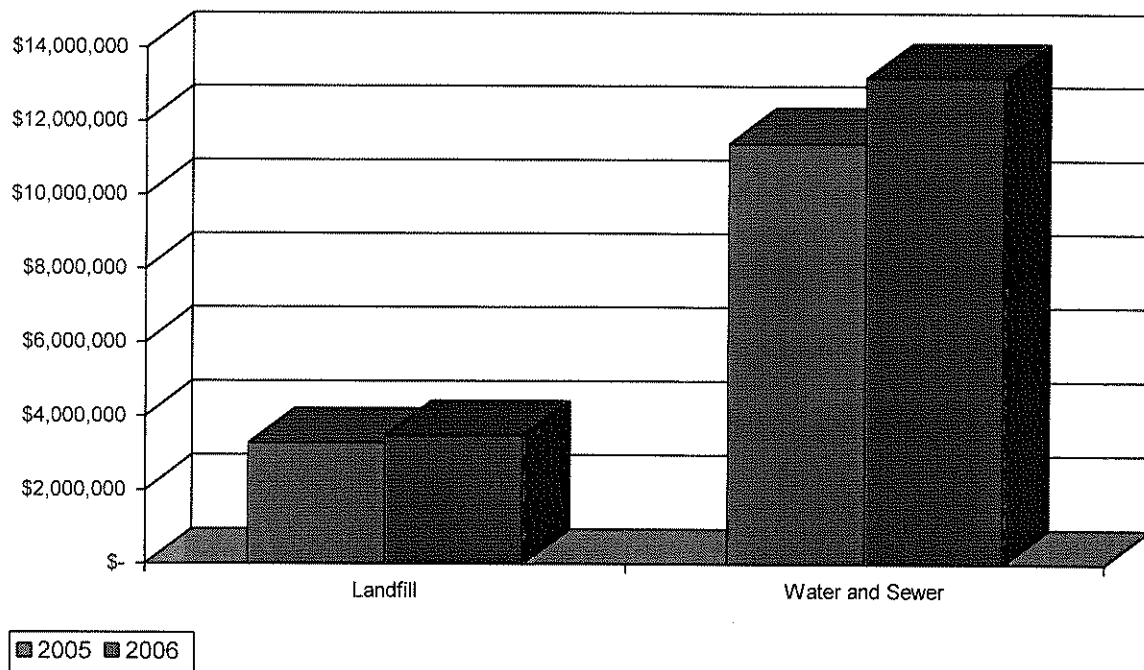
### Revenues by Source – Governmental Activities



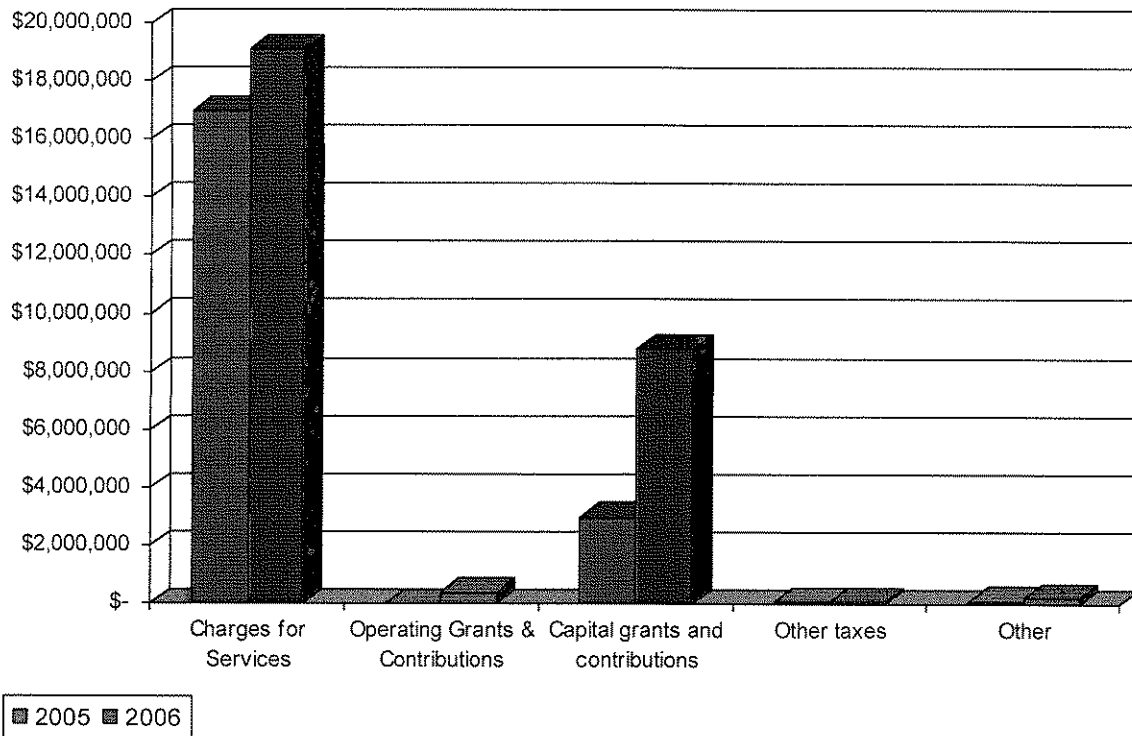
**Business-type activities:** Business-type activities increased Harnett County's net assets by \$11,743,688. Key elements of this increase are as follows:

- Charges for services increased 12.34% over the prior year as a result of a fee increase which was approved for the fiscal year. Additionally, the number of service connections increased 17% for water and 48.58% for sewer over the prior year as a result of the growth in the county.
- The largest increase (191.39%) was recognized in Capital Grants and Contributions. This increase was a result of revenue received during the year for the Harnett/Fuquay Wastewater Project and the Titan Wastewater Expansion Project.
- Water and sewer expenditures increased 15.49% over the prior year for salaries, chemicals, utilities and treatment cost associated with the increase in water and sewer sales.

### Expenses – Business-type Activities



### Revenues – Business-type Activities



### Financial Analysis of the County’s Funds

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

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

The general fund is the chief operating fund of Harnett County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$6,721,581, while total fund balance reached \$18,797,114. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 7.93% of total General Fund expenditures, while total fund balance represents 22.19% percent of that same amount.

At June 30, 2006, the governmental funds of Harnett County reported a combined fund balance of \$29,235,265, a 1.45% decrease over last year.

Approximately 34% of this total amount (\$9,843,251) constitutes unreserved, undesignated fund balance, which is available for spending at the government's decision. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed for the following:

- Liquidate contracts and purchase orders of the prior period (\$459,458),
- Pay debt service (\$6,190,215),
- Fund subsequent year's expenditures (\$3,124,165),
- Reserved by State Statute (\$9,520,243), and
- For a variety of other restricted purposes (\$97,933).

**Proprietary Funds.** Harnett County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$1,078,435, and those for the Water and Sewer Fund equaled \$77,808,935. The total growth in net assets for both funds was \$(50,165) and \$11,793,853 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of Harnett County's business-type activities.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three 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; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$6,296,162, a material amount. This increase was due to budget amendments for the collection of sales tax, ad valorem taxes and state and federal grants which were awarded for the fiscal year. As stated earlier, sales and services increased in part as a result of the billings for the EMS Transport which the County took over in August and for Home Health services. Other General Revenues increased as a result of additional funds received as a result of the pass-through of funds from the sale of the Northern Harnett Rescue property and School Resource Officers. As a result of the increased revenue, expenditures increased for state and federal grant spending and EMS, as well as to provide increased services to the County.

### **Capital Asset and Debt Administration**

**Capital assets.** Harnett County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$167,999,066 (net of accumulated depreciation). These assets include buildings, land, construction in progress, buildings, land improvements, furniture, computer hardware, computer software, fixtures, machinery and equipment, park facilities, vehicles and plant distribution and collection systems.

Major capital asset transactions during the year include:

- Purchased new vehicles for the Public Safety Department
- Purchased computers and software for various departments in the County
- Addition of construction in progress on Water and Sewer plant facilities and Airport construction projects
- Addition of several contributed water lines

**Harnett County Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,214,535	\$ 2,214,535	\$ 1,018,011	\$ 1,044,927	\$ 3,232,546	\$ 3,259,462
Plant, distribution and collection systems	-	-	86,579,587	86,950,765	86,579,587	86,950,765
Buildings	31,104,956	31,852,814	614,674	628,441	31,719,630	32,481,255
Land Improvements	2,109,116	1,134,884	-	-	2,109,116	1,134,884
Furniture, fixtures and equipment	482,172	952,576	669,374	618,378	1,151,546	1,570,954
Computer hardware	296,349	435,846	-	-	296,349	435,846
Computer software	236,547	313,245	-	-	236,547	313,245
Vehicles	1,992,160	1,773,164	400,333	450,523	2,392,493	2,223,687
Construction in progress	10,294,345	5,582,429	29,986,907	8,912,815	40,281,252	14,495,244
<b>Total</b>	<b>\$ 48,730,180</b>	<b>\$ 44,259,493</b>	<b>\$ 119,268,886</b>	<b>\$ 98,605,849</b>	<b>\$ 167,999,066</b>	<b>\$ 142,865,342</b>

Additional information on the County's capital assets can be found in Note 6 of the Basic Financial Statements.

**Long-term Debt.** At the end of the current fiscal year, Harnett County had total debt outstanding in the amount of \$111,136,851. Of this amount, \$17,210,400 represents general obligation bonds issued by the County's water and sewer districts to fund the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. At June 30, 2006, the County's outstanding debt consisted of:

### Harnett County Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ -	\$ -	\$ 17,210,400	\$ 17,940,300	\$ 17,210,400	\$ 17,940,300
Installment purchase	66,134,470	70,585,320	11,035,550	10,902,366	77,170,020	81,487,686
Capitalized leases	941,063	1,017,824	138,654	215,776	1,079,717	1,233,600
State Bond loan	-	-	15,676,716	6,687,299	15,676,716	6,687,299
	<u>\$ 67,075,533</u>	<u>\$ 71,603,144</u>	<u>\$ 44,061,320</u>	<u>\$ 35,745,741</u>	<u>\$ 111,136,853</u>	<u>\$ 107,348,885</u>

Harnett County's total debt increased by \$3,787,968 (3.52%) during the past fiscal year, primarily due to the addition of additional debt.

As mentioned in the financial highlights section of this document, Harnett County maintained its A3 and A bond rating for Certificates of Participation and Aaa and AAA bond rating for General Obligations from Moody's Investor Service and AAA rating from Standard and Poor's Corporation and FitchRatings. These bond ratings are a clear indication of the sound financial condition of Harnett County.

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 for Harnett County is \$300,355,882. The County has \$42,000,000 in bonds authorized but unissued at June 30, 2006.

Additional information regarding Harnett County's long-term debt can be found in notes 10 and 11 on pages F-22 through F-32 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.

- The unemployment rate for Harnett County for the fiscal year ending June 30, 2006 was 4.90%, which is a decrease from a rate of 5.6% a year ago. Compared to the State average of 4.80% for the same period, the County is only slightly above the State average.
- The Local Option Sales Tax, which replaced the loss of State reimbursements, continues to generate additional revenue for the County.
- The Economic Development Commission, through its recruiting efforts, continues to assist local businesses in expansion and attracting new industry to the area.

## **Budget Highlights for the Fiscal Year Ending June 30, 2007**

**Governmental Activities:** Property taxes and revenues from permits and fees are expected to lead the increase in revenue projections and the County will use these increases to finance programs currently in place. Harnett County continually evaluates property on a yearly basis even though a revaluation will not be done. This evaluation, along with the County's continued aggressive tax collection efforts, provide an analysis of future income.

Expenditures in the General Fund have been budgeted at \$90,654,333 and includes amounts appropriated for Interfund transfers, debt service, capital reserve and contingency. The increase in the budget is due to the implementation of a 2% cost-of-living increase for employees as well as the addition of new positions, appropriations to meet the cost associated with purchasing and developing industrial sites, and an increase in education funding.

**Business-type Activities:** The water and sewer rates for the 2006 – 2007 fiscal year were increased. This increase was necessary to meet the current level of service, infrastructure investment and ongoing capital projects. The rates for landfill services will not increase. Expenditures for Public Utilities and Solid Waste for the fiscal year have been budgeted at \$15,437,958 and \$3,862,237, respectively. These budgeted expenditures will cover increased personnel costs associated with the acquisition of the Town of Erwin water and wastewater facilities, supplies and other operating expenses.

## **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 Director of Finance, Harnett County, P.O. Box 760 102 East Front Street Lillington, NC 27546.