

FEDERAL AND STATE GRANTS AND AWARDS COMPLIANCE SECTION

- * Independent Auditors' 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 Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.
- * Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and Internal control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act.
- * Schedule of Findings and Questioned Costs
- * Corrective Action Plan
- * Summary Schedule of Prior Audit Findings
- * Schedule of Expenditures of Federal and State Awards



**INDEPENDENT AUDITORS' 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**

Board of County Commissioners
Harnett County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harnett County, North Carolina (the County) as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 12, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 07-01 and 07-02.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 07-01 to be a material weakness.

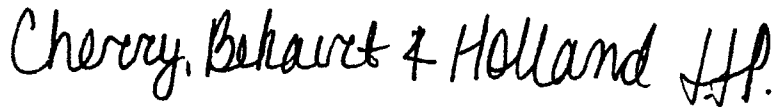
Compliance and Other Matters

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

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

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

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink that reads "Cherry, Bekart & Holland LLP." The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 12, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of County Commissioners
Harnett County, North Carolina

Compliance

We have audited the compliance of Harnett County, North Carolina (the County), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

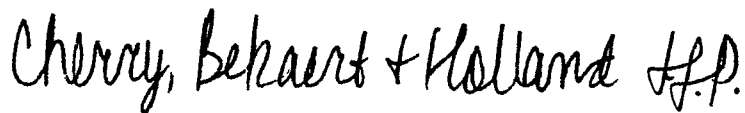
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

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

CHERRY, BEKAERT & HOLLAND, L.L.P.

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Raleigh, North Carolina
November 12, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of County Commissioners
Harnett County, North Carolina

Compliance

We have audited the compliance of Harnett County, North Carolina (the County), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

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

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekart & Holland, LLP.

Raleigh, North Carolina
November 12, 2007

**HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
- Noncompliance material to federal awards? yes X no

Type of auditor's report issued on compliance for major federal programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.778	Medicaid Title XIX
	Food Stamp Cluster
10.551	Food Stamps
10.561	Food Stamp EBT Benefits
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B Programs: \$2,771,659

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Effect: Financial statements may not be fairly stated in accordance with accounting principles generally accepted in the United States of America.

Cause: Management decided not to staff a position nor assign these duties to current staff for economical purposes.

Recommendation: We encourage financial management to continue its progress to take full responsibility in the preparation of financial statements with complete disclosure that are in accordance with GAAP.

Management's Response: Financial management to continue its progress to take full responsibility in the preparation of the financial statements with complete disclosures that are in accordance with generally accepted accounting principles (GAAP).

SIGNIFICANT DEFICIENCY

Finding: 07-02

Criteria: Internal controls are enhanced when the responsibility for executing a transaction, recording the transaction and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Condition: In reviewing internal control procedures within the ancillary departments, we noticed a lack of segregation of duties. Internal controls are enhanced when the responsibility for executing a transaction, recording the transaction and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Effect: While it may be convenient to have one person authorized to handle multiple phases of a transaction, such a situation may lead to misstatements within the financial statements, which does not provide the ideal internal control structure.

Cause: The small number of employees with in the ancillary departments makes it difficult to achieve an adequate segregation of duties.

Recommendation: We recommend that the County continue to review each ancillary department and where appropriate, make the necessary changes to the cash receipt process.

Management's Response: The County will continue to review each ancillary department where cash is received, and where appropriate, make the necessary changes to the cash receipt process.

III – Federal Award Findings and Questioned Costs

None

IV – State Award Findings and Questioned Costs

None

**HARNETT COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
Year Ended June 30, 2007**

II – Financial Statement Findings

Finding: 07-01

- A. Name of Contact Person: Vanessa Young, Finance Officer
- B. Corrective Action: Financial management will continue its progress to take full responsibility in the preparation of financial statements with complete disclosure that are in accordance with GAAP.
- C. Proposed Completion: Corrective action to be taken immediately.

Finding: 07-02

- A. Name of Contact Person: Vanessa Young, Finance Officer
- B. Corrective Action: The County will continue to review each ancillary department that receives cash, and where appropriate, make the necessary changes to the cash receipt process.
- C. Proposed Completion: Corrective action to be taken immediately.

III – Federal Award Findings and Questioned Costs

None

IV – State Award Findings and Questioned Costs

None

**HARNETT COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007**

Finding: 06-01

Status: Completed

Finding: 06-02

Status: Completed

Finding: 06-03

Status: Completed

Finding: 06-04

Status: Completed

Finding: 06-05

Status: Completed

Finding: 06-06

Status: Completed

Finding: 06-07

Status: Completed

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
FEDERAL AWARD EXPENDITURES				
<u>U.S. Dept. of Agriculture</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
Food Stamps	10.561		\$ 641,233	\$ -
Direct Benefit Payment:				
Food Stamp EBT Benefits	10.551		11,980,801	-
Total Food Stamp Cluster			12,622,034	-
Division of Public Health:				
Administration:				
Special Supplemental Food Program for Women, Infants and Children	10.557		391,367	-
Direct Benefit Payment:				
Special Supplemental Food Program for Women, Infants and Children	10.557		2,283,722	-
Total of Public Health			2,675,089	-
Total U.S. Dept. of Agriculture			15,297,123	-
<u>U.S. Dept. of Housing and Urban Development</u>				
Direct Program:				
Housing Assistance Payments Program:				
Vouchers	14.195		811,095	-
Passed-through N.C. Department of Commerce:				
Small Cities Community Development Block Grant				
Lockhart/Shawtown Revitalization	14.228	04-C1253	314,038	-
Scattered Site Housing II	14.228	06-C-1363	263,481	-
Total U.S. Dept. of Housing and Urban Development			1,388,614	-
<u>U.S. Dept. of Justice</u>				
Passed-through the N.C. Department of Crime Control and Public Safety:				
Homeland Security 2004	97.004	2004-GE-T4-0014	15,940	-
Bulletproof Vest Partnership	16.607	14-0404-0-1-754	3,720	-
Passed-through the N.C. Department of Division of Emergency Management				
Harnett Viper Radio	97.067	2005-GE-T5-0051-20008	450	-
Western Communication Tower HLS	97.004	2004-GE-T4-0014-2003	231,643	-
Passed-through the N.C. Department of Justice Office Justice Programs				
E. Byrne Justice Assistance	16.738	2005-DJ-BX-0530	1,971	-
Passed-through Division of Governor's Crime Commission:				
Family Pride Healthy Choice	16.540	043-1-06-009-AJ-844	79,991	-
Total U.S. Dept. of Justice			333,715	-
<u>U.S. Dept. of Labor</u>				
Passed-through Mid-Carolina Council of Governments:				
Welfare Investment Act	17.263	04-H-WIA	523,739	-
Total U.S. Dept. of Labor			523,739	-
<u>U.S. Dept. of Health and Human Services</u>				
Division of Aging and Adult Services				
Passed-through Mid-Carolina Council of Governments:				
Special Programs for the Aging Title III Cluster:				
Senior Center Operations and Outreach	93.044		8,015	-
Nutrition Services	93.045		287,525	-
Nutrition Services Incentive	10.570		48,297	-
Special Programs for the Aging:				
Family Caregiver Support Program	93.052	17-701	15,943	3,236
Retired Senior and Volunteer Program	93.060	97-C-000-0563	5,123	-
Home and Community Care Block Grant	93.633	16-701	204,832	13,215
Medical Transportation and General	93.633	16-701	49,940	54,101
Division of Facility Services				
Bioterrorism Training & Curriculum	93.996	HRSA	25,862	-
Passed-through Corporation for National Service:				
National Senior Service	94.002	06SRSN003	41,193	-
Division of Child Development				
Child Care Resource and Referral	93.575	407-16-003	62,202	-
Division of Administration for Children & Families				
Child Support Enforcement	93.563	00040-7	39,732	-
Total Dept. of Health & Human Services			788,664	70,552

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
Passed-through the N.C. Department of Health & Human Services:				
Division of Child Development				
Subsidized Child Care Cluster:				
Temporary Assistance for Needy Families	93.558		\$ 628,533	\$ -
Child Care Development Fund, Discretionary (CCR&R)	93.575		1,704,203	-
Child Care & Development Fund - Mandatory	93.596		682,543	-
Child Care & Development Fund - Match	93.596		571,740	101,527
Social Services Block Grant	93.667		77,212	-
TANF - Maintenance of Effort			-	444,604
State Appropriations			-	511,630
Smart Start			-	125,371
Smart Start TANF Maintenance of Effort			-	488,265
Smart Start State Match			-	214,883
Total Subsidized Child Care Cluster			3,664,231	1,886,280
Passed-through the N.C. Department of Health & Human Services:				
Division of Social Services				
Foster Care and Adoption Cluster:				
Title IV-E Foster Care - Administration	93.658		464,487	208,776
Title IV-E Foster Care	93.658		263,229	76,088
Title IV-E Adoption Subsidy - Administration	93.659		3,208	-
Direct Benefit Payments:				
Title IV-E Adoption Subsidy	93.659		528,945	149,278
Total Foster Care and Adoption Cluster			1,259,869	434,140
Division of Social Services				
Direct Benefit Payments:				
Temporary Assistance for Needy Families ("TANF")	93.558		805,266	(86)
Aid to Families with Dependent Children ("AFDC")	93.560		(6,501)	(1,782)
Low Income Energy Assistance	93.568		599,358	-
Child Welfare Services - Permanency Planning	93.645		6,615	306,614
Administration:				
Temporary Assistance for Needy Families ("TANF")	93.558		1,357,542	(2,775)
Aid to Families with Dependent Children ("AFDC")	93.560		-	(3,248)
IV-D Administration	93.563		78,718	-
Low Income Energy Assistance	93.568		29,669	-
Permanency Planning-Child Welfare Services	93.645		33,820	8,621
SSBG - Adult Day Care	93.667		15,045	18,610
SSBG - In Home Services	93.667		39,095	-
SSBG - Other Services	93.667		272,858	30,854
TANF to SSBG	93.667		52,069	-
LINKS	93.674		28,796	7,111
Health Choice	93.767		55,275	5,378
Division of Medical Assistance:				
Medicaid Title XIX	93.778		1,263,227	69,257
Direct Benefit Payments:				
Medicaid Title XIX	93.778		61,292,405	30,287,157
Total Division of Social Services			65,923,257	30,725,711
Division of Public Health				
Family Planning Title X	93.217		62,753	-
Temporary Assistance for Needy Families	93.558		12,161	2,542
Comprehensive Breast and Cervical Cancer	93.283		17,430	-
Risk Reduction/Statewide Health Promotion	93.991		12,142	8,263
Maternal and Child Health Services Block Grant:				
Women's Preventive Health (Family Planning)	93.994		27,071	20,305
Maternal Health	93.994		6,458	4,844
Child Health (HHS-MCH Block Grant)	93.994		67,039	50,285
Child Health - CFPT (Child Fatality Prevention Team)	93.994		761	570
Child Service Coordination	93.994		34,330	-
Immunization Action Plan	93.268		57,313	-
Bioterrorism Preparedness & Response	93.283		20,000	-
Tobacco Prevention	93.945		500	-
Summer Food Service Program	10.559		708	-
Total Division of Public Health			318,666	86,809
Total U.S. Dept. of Health and Human Services			71,954,667	33,203,492

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>U.S. Dept. of Transportation</u>				
Passed-through the N.C. Department of Transportation				
Division of Engineering				
Airport Improvement Programs				
Runway Parrell Extension	20.106	36237.25.7.1	\$ 281,819	\$ -
Relocation SR 2076	20.106	36237.25.7.2	1,056,604	-
Runway & Taxi Extension	20.106	36237.25.4.2 & WBS36657	89,247	-
Harnett Regional Jetport	20.106	36237.25.5.1	330,000	-
Airport Site Preparation II	20.106	6237.25.8.1 & 36237.35.3.1	314,412	-
Public Transportation Division				
Community Transportation TDP/CTP	20.509	07-CT-040	129,687	22,886
Community Transportation TDP/CTP	20.509	07-CT-040	153,936	27,165
Planning-Program-Evaluation				
Governor's Highway Safety Program	85.469	PT-06-04-05-60	111,948	-
<u>Total U.S. Dept. of Transportation</u>			<u>2,467,653</u>	<u>50,051</u>
<u>N.C. Dept. of Crime Control and Public Safety</u>				
State & Local Assistance Emergency Services				
Hazardous Material Emergency Planning	97.042	EMPG-2003-37085	18,064	-
Pass-through Juvenile Justice and Delinquency Prevention	20.703	HMPG-39-6-00	4,275	-
Governor-One-on-One	93.667	643908	33,000	-
Division of Governor's Crime Commission				
Teens As Parents	16.540	43-1-07-009-AJ-487	77,766	-
<u>Total N.C. Dept. of Crime Control and Public Safety</u>			<u>133,105</u>	<u>-</u>
<u>N.C. Office of Juvenile Justice</u>				
Police Athletic League Youth Enrichment Program				
Support For Students	93.590	643028	18,028	-
	16.726	012907-4625	14,266	57,064
<u>Total N.C. Office of Juvenile Justice</u>			<u>32,294</u>	<u>57,064</u>
<u>N.C. Department of Cultural Resources</u>				
Institute of Museum and Library Services				
EZTA Lista	45.310	5863	19,656	-
<u>Total N.C. Department of Cultural Resources</u>			<u>19,656</u>	<u>-</u>
<u>N.C. Central Disease Control</u>				
Pass-through Highway & Safety Research				
Teen Driver Project	96.136	u49/ccu/024279-02	3,000	-
<u>Total N.C. Central Disease Control</u>			<u>3,000</u>	<u>-</u>
<u>N.C. State Board of Elections</u>				
Help America Vote Act				
	90.401	HAVA Title II	235,039	-
<u>Total N.C. State Board of Elections</u>			<u>235,039</u>	<u>-</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>92,388,625</u>	<u>33,310,607</u>

HARNETT COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
STATE AWARD EXPENDITURES				
<u>N.C. Dept. of Administration</u>				
Division of Veterans Affairs				
Veteran Affairs			\$ -	\$ 2,000
<u>Total N.C. Dept. of Administration</u>			-	2,000
<u>N.C. Dept. of Correction Division of Community Correction</u>				
Lee Harnett Criminal Justice Alliance			F-0704-I-A	- 73,825
<u>Total N.C. Department of Correction</u>			-	73,825
<u>N.C. Dept. of Housing Finance Authority</u>				
Single Family Housing Rehabilitation			SFR06	- 171,567
<u>Total N.C. Department of Finance Authority</u>			-	171,567
<u>N.C. Dept. of Cultural Resources</u>				
State Aid to Public Libraries			-	183,737
<u>Total N.C. Dept. of Cultural Resources</u>			-	183,737
<u>N.C. Dept. of Health and Human Services</u>				
Division of Community Health:				
General Health/State Aid			-	29,743
Tuberculosis Control			-	31,226
TB Medical Services			-	2,743
Environmental Health			-	6,000
Food and Lodging			-	10,354
Childhood Lead Poisoning Prevention			-	4,000
AIDS - State (HIV/STD - State)			-	500
HIV/STD Prevention			-	12,000
Communicable Disease			-	4,001
Child Service Coordination			-	25,031
Division of Social Services:				
Direct Benefit Payment:				
Special Assistance to Adults			-	972,607
<u>N.C. Dept. of Health and Human Services (continued)</u>				
Division of Community Health (continued):				
Administration:				
Adult Day Care			-	7,142
CPS Expansion			-	131,294
Progress Energy Neighbor			-	5,810
Social Services Block Grant - State			-	(7,929)
Smart Start			-	100,000
State Adult Protective Services			-	15,703
State Aid to Counties			-	75,043
State Foster Home			-	45,452
Share The Warmth			-	2,645
<u>Total N.C. Dept. of Health and Human Services</u>			-	1,473,365
<u>N.C. Department of Insurance</u>				
Division of Seniors: Health Insurance Information Program				
SHIP-Medicare Counseling			563000306	- 3,100
<u>Total N.C. Department of Insurance</u>			-	3,100
<u>N.C. Division of Child Development</u>				
N.C. Partnership for Children, Inc.				
Family Home Care Licensure			08-206	- 57,864
Parents as Teachers			FY2005-5505-202	- 233,677
Top Notch Teachers			08-215	- 103,321
<u>Total N.C. Dept. of Crime Control and Public Safety</u>			-	394,862
<u>N.C. Dept. of Crime Control and Public Safety</u>				
Gang Project Specialist			043-1-06-001-8N-026	- 16,650
<u>Total N.C. Dept. of Crime Control and Public Safety</u>			-	16,650

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>N.C. Office of Juvenile Justice</u>				
CBA-Juvenile Restitution		643032	\$ -	\$ 93,000
CBA-Juvenile Restitution-JCPC		643000	-	4,946
Court Psychologist		643024	-	4,550
CBA-Specialized Foster Care		643021	-	20,000
Hillcrest Youth Shelter		643013	-	35,100
Family Preservation		643026	-	24,000
Re-Entry-Healthy Choice		643030	-	35,948
Total N.C. Office of Juvenile Justice			-	217,544
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Capital Fund			-	965,000
Total N.C. Department of Public Instruction			-	965,000
<u>N.C. Dept. of Transportation</u>				
Passed-through the N.C. Department of Transportation				
Division of Engineering				
Edgerton II Industrial Park Access			-	13,211
Western Harnett Industrial Park		WBS41086	-	135,862
Rural Operating Assistance Program (ROAP):				
Work First Transportation Grant		DOT-16CL	-	12,706
Rural General Public Program (RGP)		DOT-16CL	-	89,934
Elderly and Disabled Transportation Assistance Program (EDTAP)		DOT-16CL	-	79,322
Public Transportation Division				
Transportation Facility Design		36227.5.1.1/03-SF020	-	1,019
Total N.C. Department of Transportation			-	332,054
<u>N.C. Rural Economic Development Center</u>				
McKoy Town Road Water Project		02-66-51	-	31,455
Total N.C. Rural Economic Development Center			-	31,455
<u>N.C. Department of Agriculture & Consumer Services</u>				
Pesticide Container Recycling Program		PETF	-	1,200
Total N.C. Department of Agriculture & Consumer Services			-	1,200
<u>N.C. Department of Environmental & Natural Resources</u>				
Division of Water Quality				
Critical Needs Clean Water Grant		E-SRG-T-99-0045	-	1,065,685
Total Department of Environmental & Natural Resources			-	1,065,685
TOTAL STATE AWARD EXPENDITURES			-	4,932,044
TOTAL AWARD EXPENDITURES			\$ 92,388,625	\$ 38,242,651

HARNETT COUNTY, NORTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2007

1. GENERAL

The Schedule of Expenditures of Federal and State Awards (the "Schedule") presents the activity of all federal and State financial award programs of Harnett County, North Carolina. Harnett County, North Carolina ("Harnett County") reporting entity is defined in Note 1 to the basic financial statements. All federal and State awards received directly from federal and State agencies as well as federal financial awards passed through other government agencies are included in the Schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements.

3. BENEFIT PAYMENTS ISSUED BY THE STATE

Benefit payment amounts which were paid directly by the State from federal and State monies on behalf of Harnett County have been separately identified and quantified on the Schedule. These direct payments do not appear within the basic financial statements of Harnett County because these amounts are not revenues and expenditures of Harnett County, North Carolina. County personnel are involved in certain functions, primarily with eligibility determinations that cause benefit payments to be issued by the State.

COVENANT COMPLIANCE SECTION

- * Independent Auditors' Report on the Revenue Bond Covenant Compliance
- * Revenue Bond Statement of Revenues, Expenses, Debt Service, and Debt Service Coverage



**INDEPENDENT AUDITORS' REPORT ON THE
REVENUE BOND COVENANT COMPLIANCE**

Board of County Commissioners
Harnett County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harnett County, North Carolina (the County), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 12, 2007. We have also audited the accompanying schedule of debt covenant compliance (the Schedule) as defined in the General Trust Indenture, dated May 15, 2007, with Regions Bank. These computations are the responsibility of the County's management. Our responsibility is to express an opinion on these computations based on our audit.

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 *Governmental 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 Schedule is free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of this information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule is presented fairly, in all material respects for the year ended June 30, 2007, as described in the General Trust Indenture referred to in the first paragraph.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland L.L.P.

Raleigh, North Carolina
November 12, 2007

HARNETT COUNTY, NORTH CAROLINA
**REVENUE BOND STATEMENT OF REVENUES, EXPENSES, DEBT SERVICE,
AND DEBT SERVICE COVERAGE**
For the Year Ended June 30, 2007

Operating Revenues:	
Charges for Services	\$20,303,772
Other Operating Revenues	<u>4,928,356</u>
Total Operating Revenues	25,232,128
Operations and Maintenance Expenses	<u>(13,748,233)</u>
Operating Income Before Depreciation & Amortization	11,483,895
Less:	
Depreciation and Amortization Expense	<u>(3,506,688)</u>
OPERATING INCOME	7,977,207
Non-Operating Revenues	390,351
Non-Operating Expenses	<u>(1,610,522)</u>
NET INCOME	<u><u>\$6,757,036</u></u>

Determination of Income Available for Debt Service

Net Income	\$6,757,036
Adjustments:	
Depreciation and Amortization Expense	3,506,688
Bond Interest Expense	1,573,240
Bond Service Expense	2,987,362
Bond Refunding Loss	9,484
Administrative Costs Transferred to the General Fund	<u>147,767</u>
Income Available for Debt Service	14,981,577
20% of Unrestricted Operations Fund Balance	<u>1,515,447</u>
Income Available for Debt Service plus 20% of Unrestricted Operations Fund Balance	<u><u>\$16,497,024</u></u>

HARNETT COUNTY, NORTH CAROLINA
**REVENUE BOND STATEMENT OF REVENUES, EXPENSES, DEBT SERVICE,
 AND DEBT SERVICE COVERAGE**
For the Year Ended June 30, 2007

Debt Service Requirements and Coverage

Parity Debt Service:

Series 2007 Revenue Bonds	\$1,156,775
	<u>\$1,156,775</u>

Debt Service Coverage - Parity Indebtedness	14.261
Series 2007 Revenue Bond Covenant Requirement	1.200

Other Indebtedness:

Installment Purchases	1,783,298
GO Bonds	1,592,265
Capitalized Leases	58,828
State Bond Loans	1,839,091
	<u>5,273,482</u>

Sum of Parity and GO Debt Service	<u>\$6,430,257</u>
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Debt Service Coverage - Sum of Parity and System GO Indebtedness	2.330
Series 2007 Revenue Bond Covenant Requirement	1.000