

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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 17, 2008. 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, 08-01 and 08-02.

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 08-01 to be a material weakness.

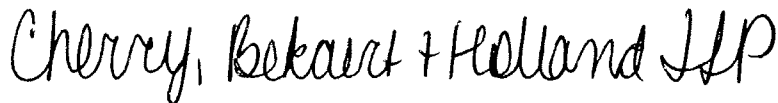
Compliance and Other Matters

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 08-03.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses 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, Bekert & Holland LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
October 17, 2008



**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, 2008. 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, 2008.

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.

Cherry, Bekart + Holland LLP

Raleigh, North Carolina
October 17, 2008



**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, 2008. 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, 2008.

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, Bekaert & Holland LLP

Raleigh, North Carolina
October 17, 2008

**HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

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
93.575	Child Care Cluster
93.596	
93.667	
93.558	
93.568	Low Income Energy Assistance

Dollar threshold used to distinguish between Type A and Type B Programs: \$2,851,489

**HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

I – Summary of Auditors’ Results (continued)

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major state programs:

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

Noncompliance material to state awards? yes no

Type of auditor’s report issued on compliance for major state programs: *Unqualified*

Any audit findings disclosed that are required to reported in accordance with the *Audit Manual for Governmental Auditors in North Carolina*? yes no

Identification of major state programs:

Cape Fear River Trail Park

Federal programs that did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520 but were tested as a major program because the State awards met the threshold for a major State program are included in the list of major federal programs.

II – Financial Statement Findings

MATERIAL WEAKNESS

Finding: 08-01

Criteria: An effective system of internal control contemplates that management can prepare financial statements complete with appropriate disclosures that are fairly presented in accordance with GAAP.

Condition: Financial management had substantially depended on its external auditors to prepare adjusting and closing entries and draft the financial statements and related disclosures. There has been considerable progress in financial management taking over this role and assuming full responsibility for adjusting and closing the general ledger as well as assisting in the preparation of the financial statements. However, we did propose some audit adjustments and provide more than incidental assistance in the preparation of financial statements and disclosures.

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

**HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

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 will 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: 08-02

Criteria: Reliable Information Technology (IT) controls should be in place including appropriate data backup and recovery processes, as well as appropriate physical security and access to programs and data.

Condition: In reviewing IT internal control procedures within the County, there is not an effective mechanism in place to provide IT Strategic Planning on a county wide basis. An IT Committee is in place, but does not hold regular meetings. Individual departments often change things within their own systems and hardware without involvement of IT, causing issues with support, maintenance, and internal control.

Effect: Internal controls, IT support, and IT maintenance issues can arise from lack of appropriate IT controls.

Cause: No written policies or procedures are enforced regarding IT controls.

Recommendation: We recommend that the County perform a formal IT risk assessment to identify potential risks and have the IT Committee hold regular meetings.

Management's Response: The County will look into the IT control issues and discuss with the Finance department regarding physical security and access issues.

NONMATERIAL NON-COMPLIANCE WITH LAWS AND REGULATIONS

Finding: 08-03

Criteria: North Carolina General Statutes require that fund deficits be "fully appropriated" when adopting the budget ordinance for the subsequent year. For General Statute purposes, "fully appropriated" means a transfer that affects fund balance rather than a loan.

Condition: The fund deficit in the Special Revenue Funds (the "Fund") of approximately \$61,625 for the Section 8 Housing Fund and \$17,359 for the Special Districts Fund as of June 30, 2008 were not "appropriated" during fiscal 2008.

Effect: Non-compliance with regulations.

Cause: The Board is aware of the deficit, which occurs due to the timing of payments.

**HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Recommendation: Management needs to, on a periodic basis, evaluate the ability of the Fund to fund the deficit and appropriate the funds if necessary.

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, 2008**

II – Financial Statement Findings

Finding: 08-01

- 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: 08-02

- A. Name of Contact Person: Vanessa Young, Finance Officer
- B. Corrective Action: The County will look into the IT control issues and discuss with the Finance department regarding physical security and access issues.
- C. Proposed Completion: Corrective action to be taken immediately.

Finding: 08-03

- A. Name of Contact Person: Vanessa Young, Finance Officer
- B. Corrective Action: The County will evaluate, on a periodic basis, the ability to the Special Revenue Funds to fund the deficits and appropriate the funds if necessary.
- 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, 2008

Finding: 07-01

Status: Noted same finding in the current year 08-01.

Finding: 07-02

Status: Completed

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant I.D. Number</u>	<u>Expenditures</u>	
			<u>Federal</u>	<u>State</u>
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		\$ 712,142	\$ -
Direct Benefit Payment:				
Food Stamp EBT Benefits	10.551		12,903,565	-
Total Food Stamp Cluster			<u>13,615,707</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Administration:				
Special Supplemental Food Program for Women, Infants and Children	10.557		441,601	-
Direct Benefit Payment:				
Special Supplemental Food Program for Women, Infants and Children	10.557		2,483,547	-
Total of Public Health			<u>2,925,148</u>	<u>-</u>
Total U.S. Dept. of Agriculture			<u>16,540,855</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>				
Direct Program:				
Housing Assistance Payments Program: Vouchers	14.871		853,297	-
Total U.S. Dept. of Housing and Urban Development			<u>853,297</u>	<u>-</u>
<u>N.C. Dept. of Housing Finance Authority</u>				
Direct Program:				
Single Family Housing Rehabilitation	14.239	SFR06	228,433	-
Total N.C. Department of Finance Authority			<u>228,433</u>	<u>-</u>
<u>N.C. Dept. of Environmental & Natural Resources</u>				
Division of Purchase & Services:				
Direct Program:				
Dunn Erwin Trail	20.219	P07080	23,250	-
Total U.S. Dept. of Environmental & Natural Resources			<u>23,250</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
Division Bureau of Justice Assistance:				
Direct Program:				
State Criminal Alien Assistance Program	16.606	2007-AP-BX-0648 2008-AP-BX-0002	24,018	-
Passed-through the N.C. Department of Justice Office Justice Programs:				
E. Byrne Justice Assistance	16.738	2005-DJ-BX-0530, 207-DJ-BX-06- 09, 2006-DJ-BX-08-09	48,952	-
Gang Resistance Education Training	16.737	2007-JV-FX-0222	13,865	-
Total U.S. Dept. of Justice			<u>86,835</u>	<u>-</u>
<u>U.S. Dept. of Labor</u>				
Passed-through Mid-Carolina Council of Governments:				
Welfare Investment Act	17.263	04-H-WIA	359,237	-
Total U.S. Dept. of Labor			<u>359,237</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services</u>				
Passed-through Mid-Carolina Council of Governments:				
Division of Aging and Adult Services:				
Special Programs for the Aging Title III Cluster:				
Senior Center Operations and Outreach	93.044	20-701	6,017	-
Nutrition Services	93.045		282,081	-
Nutrition Services Incentive	10.570		46,096	-
Special Programs for the Aging:				
Family Caregiver Support Program	93.052	17-701	13,366	2,814

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
Retired Senior and Volunteer Program	93.044	20-701	\$ 5,467	\$ -
Home and Community Care Block Grant	93.633	16-701	228,072	13,699
Medical Transportation - General	93.633	16-701	9,620	10,422
Medical Transportation	93.633	16-701	50,312	54,505
Passed-through Corporation for National Service:				
Division of Aging and Adult Services:				
National Senior Service	94.002	06RSRNC003	41,530	-
Division of Child Development:				
Direct Program:				
Child Care Resource and Referral	93.575	407-16-003	61,590	-
Division of Administration for Children & Families:				
Direct Program:				
Child Support Enforcement	93.563	00040-7	41,011	-
Total U.S. Dept. of Health & Human Services			<u>787,163</u>	<u>81,439</u>
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		689,827	-
Child Care Development Fund, Administration	93.596		225,173	-
Child Care Development Fund, Discretionary (CCR&R)	93.575		1,968,616	-
Child Care & Development Fund - Mandatory	93.596		778,924	-
Child Care & Development Fund - Match	93.596		677,431	193,328
Social Services Block Grant	93.667		88,126	-
TANF - Maintenance of Effort			-	720,275
State Appropriations			-	589,764
Smart Start			-	291,496
Smart Start TANF Maintenance of Effort			-	363,834
Smart Start State Match			-	185,278
Total Subsidized Child Care Cluster			<u>4,428,097</u>	<u>2,343,975</u>
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		422,991	237,237
Title IV-E Foster Care	93.658		209,274	57,360
Title IV-E Adoption Subsidy - Administration	93.659		6,121	-
Direct Benefit Payments:				
Title IV-E Adoption Subsidy	93.659		574,063	162,786
Total Foster Care and Adoption Cluster			<u>1,212,449</u>	<u>457,383</u>
Division of Social Services:				
Direct Benefit Payments:				
Temporary Assistance for Needy Families ("TANF")	93.558		780,911	(488)
Aid to Families with Dependent Children ("AFDC")	93.560		(3,146)	(862)
Low Income Energy Assistance	93.568		507,529	-
Child Welfare Services - Permanency Planning	93.645		5,880	346,635
Direct Program:				
Administration:				
Family Preservation	93.556		14,973	-
Temporary Assistance for Needy Families ("TANF")	93.558		1,269,124	-
IV-D Administration	93.563		65,560	-
Low Income Energy Assistance	93.568		24,530	-
Permanency Planning-Child Welfare Services	93.645		41,287	11,263
SSBG - Adult Day Care	93.667		21,771	-
SSBG - In Home Services	93.667		40,058	-
SSBG - Other Services	93.667		245,178	-
TANF to SSBG	93.667		47,423	-
LINKS	93.674		29,312	4,060
Health Choice	93.767		52,511	4,341
Division of Medical Assistance:				
Direct Program:				
Medicaid Title XIX	93.778		1,340,964	63,442
Direct Benefit Payments:				
Medicaid Title XIX	93.778		65,057,501	33,621,627
Total Division of Social Services			<u>69,541,366</u>	<u>34,050,018</u>

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Pass-Through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Grant I.D.</u> <u>Number</u>	<u>Expenditures</u>	
			<u>Federal</u>	<u>State</u>
Division of Public Health:				
Adolescent Parenting Program	93.778		\$ 21,553	\$ 26,342
Family Planning Title X	93.217		55,299	2,542
Temporary Assistance for Needy Families	93.558		12,161	
Statewide Health Promotion	93.991		13,957	6,453
HIV/STD Prevention Risk Reduction	93.667		12,000	-
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		729	546
Local Asthma Efforts	93.283		10,871	-
Child Service Coordination	93.994		14,303	10,728
Immunization Action Plan	93.268		34,330	-
Bioterrorism Preparedness & Response	93.283		51,519	-
Bioterrorism Pandemic Influenza	93.283		20,000	-
Summer Food Service Program	10.559		968	-
Total Division of Public Health			348,258	122,045
<u>Total U.S. Dept. of Health and Human Services</u>			<u>76,317,333</u>	<u>37,054,861</u>
<u>U.S. Dept. of Transportation</u>				
Passed-through the N.C. Department of Transportation:				
Division of Engineering & Aviation:				
Airport Improvement Programs				
Airfield Improvements 100	20.930	36237.25.9.1	82,824	-
Public Transportation Division:				
Community Transportation TDP	20.509	08-CT-040	100,352	17,709
Community Transportation Admin	20.509	08-CT-040	120,201	21,212
Governor's Highway Safety Program	20.600	PT-07-04-05-45 & PT-08-03-04-20	50,800	-
<u>Total U.S. Dept. of Transportation</u>			<u>354,177</u>	<u>38,921</u>
<u>N.C. Dept. of Crime Control and Public Safety</u>				
Direct Program:				
State & Local Assistance Emergency Services	97.042	EMPG-2007-37085	11,964	11,964
Pass-through Division of Emergency Management:				
Hazardous Material Emergency Planning	20.703	HMEP-2006-008	4,316	-
Division of Governor's Crime Commission:				
Direct Program:				
Teens As Parents	16.540	43-1-07-009-AJ-487	79,999	-
Family Pride-Teens & Parents Together	16.54	051-07-009-AJ-778	67,559	-
Division of Homeland Security:				
Direct Program:				
Voice Interoperable Communications	97.074	2007-GE-T7-0048	23,100	-
Division of Emergency Management:				
Direct Program:				
Citizen Corps Program	97.053	2006-GE-T6-0010-5028	5,536	-
<u>Total N.C. Dept. of Crime Control and Public Safety</u>			<u>192,474</u>	<u>11,964</u>
<u>N.C. Office of Juvenile Justice</u>				
Direct Program:				
Police Athletic League Youth Enrichment Program	93.590	643028	16,028	-
<u>Total N.C. Office of Juvenile Justice</u>			<u>16,028</u>	<u>-</u>

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant I.D. Number</u>	<u>Expenditures</u>	
			<u>Federal</u>	<u>State</u>
<u>N.C. Department of Cultural Resources</u>				
Direct Program:				
Institute of Museum and Library Services EZTA Lista	45.310	5863	\$ 15,000	\$ -
<u>Total N.C. Department of Cultural Resources</u>			<u>15,000</u>	<u>-</u>
<u>N.C. State Board of Elections</u>				
Direct Program:				
Help America Vote Act	90.401	HAVA Title II	57,720	-
<u>Total N.C. State Board of Elections</u>			<u>57,720</u>	<u>-</u>
<u>N.C. Department of Insurance</u>				
Division of Seniors Health Insurance Information Program:				
Direct Program:				
Medicare Counseling (SHIP)	93.779	563000306	5,000	-
<u>Total N.C. Department of Insurance</u>			<u>5,000</u>	<u>-</u>
TOTAL FEDERAL AWARD EXPENDITURES			95,049,637	37,105,746
STATE AWARD EXPENDITURES				
<u>N.C. Dept. of Administration</u>				
Division of Veterans Affairs:				
Veteran Affairs				
<u>Total N.C. Department of Administration</u>			-	2,000
<u>N.C. Dept. of Commerce</u>				
Division of Commerce Finance Center:				
One NC Grant				
<u>Total N.C. Department of Correction</u>		O-2005-0216	-	60,000
<u>N.C. Dept. of Correction</u>				
Division of Community Correction:				
Harnett Criminal Justice Alliance				
<u>Total N.C. Department of Correction</u>		43-0707-I-A	-	110,091
<u>N.C. Dept. of Cultural Resources</u>				
State Aid to Public Libraries				
<u>Total N.C. Department of Cultural Resources</u>		4531	-	180,322
<u>N.C. Dept. of Health and Human Services</u>				
Division of Community Health:				
General Health/State Aid				
Tuberculosis Control			-	75,740
TB Medical Services			-	31,226
Environmental Health			-	2,743
Food and Lodging			-	6,000
Childhood Lead Poisoning Prevention			-	11,351
AIDS - State (HIV/STD - State)			-	500
Communicable Disease			-	500
Healthy Carolinians			-	4,001
HIV/SISTA			-	10,496
Well Program			-	18,667
Division of Social Services:				
Special Assistance to Adults				
<u>Administration:</u>			-	1,020,578
Aid to Families with Dependent Children ("AFDC")				
Adult Day Care			-	(2,103)
CPS Expansion			-	14,402
Progress Energy Neighbor			-	153,912
Social Services Block Grant - State			-	7,067
Smart Start			-	38,393
State Adult Protective Services			-	100,000
State Aid to Counties			-	21,952
State Foster Home			-	75,043
Share The Warmth			-	64,364
Temporary Assistance for Needy Families ("TANF")			-	719
			-	1,356

HARNETT COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant I.D. Number</u>	<u>Expenditures</u>	
			<u>Federal</u>	<u>State</u>
Division of Healthy Service Regulation: Office of Emergency Medical Service EMS Toolkit Grant Program		AD-08-1500	\$ -	\$ 19,850
<u>Total N.C. Department of Health and Human Services</u>			-	1,689,773
<u>N.C. Division of Child Development</u>				
N.C. Partnership for Children, Inc. Family Home Care Licensure		08-206	-	62,451
Incredible Years		08-415	-	14,555
Parents as Teachers		08-202	-	255,517
Top Notch Teachers		08-215	-	82,699
<u>Total N.C. Division of Child Development</u>			-	415,222
<u>N.C. Dept. of Crime Control and Public Safety</u>				
Division of Governor's Crime Commission: Gang Project Specialist		043-1-06-001-BN-026	-	41,667
<u>Total N.C. Department of Crime Control and Public Safety</u>			-	41,667
<u>N.C. Office of Juvenile Justice & Delinquency Prevention</u>				
Division of Juvenile Justice: Cameron Boys Camp		643008	-	14,600
CBA-Juvenile Restitution		643032	-	90,000
CBA-Juvenile Restitution-JCPC		643000	-	2,498
Court Psychologist		643024	-	8,473
Hillcrest Youth Shelter		643013	-	35,100
Family Preservation		643026	-	24,000
Re-Entry-Healthy Choice		643030	-	33,948
Smart Choice Outreach		643007	-	4,500
Division of Community Grants: Governor's One on One Voluntary Program		643906	-	35,430
<u>Total N.C. Office of Juvenile Justice & Delinquency Prevention</u>			-	248,549
<u>N.C. Dept. of Transportation</u>				
Division of Engineering Western Harnett Industrial Park		WBS41086	-	263,695
Rural Operating Assistance Program (ROAP): Work First Transportation Grant		DOT-16CL	-	23,714
Rural General Public Program (RGP) Elderly and Disabled Transportation Assistance Program (EDTAP)		3622821.1.1	-	83,033
Public Transportation Division: Transportation Facility Design		08-CT-040	-	82,462
<u>Total N.C. Department of Transportation</u>		36227.5.1.1/03-SF020	-	48,264
			-	501,167
<u>N.C. Department of Environmental & Natural Resources</u>				
Division of Parks & Recreation: Cape Fear River Trail Park		P0450	-	482,112
Division of Purchase & Services		P08054	-	3,750
<u>Total Department of Environmental & Natural Resources</u>			-	485,862
TOTAL STATE AWARD EXPENDITURES			-	3,734,652
TOTAL AWARD EXPENDITURES			\$ 95,049,637	\$ 40,840,398

HARNETT COUNTY, NORTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2008

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.

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirements purposes: Subsidized Child Care, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services, Substance Abuse Services, and Infants and Toddlers with Disabilities.

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, 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, 2008, and have issued our report thereon dated October 17, 2008. 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, 2008, as described in the General Trust Indenture referred to in the first paragraph.

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

Cherry Bekaert & Holland LLP

Raleigh, North Carolina
October 17, 2008

HARNETT COUNTY, NORTH CAROLINA
**REVENUE BOND STATEMENT OF REVENUES, EXPENSES, DEBT SERVICE,
AND DEBT SERVICE COVERAGE**

Year Ended June 30, 2008

Operating Revenues:	
Charges for Services	\$18,896,188
Other Operating Revenues	<u>6,835,934</u>
Total Operating Revenues	25,732,122
Non-Operating Revenues	<u>186,506</u>
Total Gross Revenues	25,918,628
Operations and Maintenance Expenses	<u>(11,521,717)</u>
Income Before Depreciation & Amortization	14,396,911
Less:	
Depreciation and Amortization Expense	<u>(3,820,835)</u>
NET INCOME	<u><u>\$10,576,076</u></u>
 <u>Determination of Income Available for Debt Service</u>	
Net Income	\$10,576,076
Adjustments:	
Depreciation and Amortization Expense	3,820,835
Bond Interest Expense	1,686,022
Bond Service Expense	3,977,453
Bond Refunding Loss	(6,818)
Administrative Costs Transferred to the General Fund	<u>200,000</u>
Income Available for Debt Service	20,253,568
20% of Unrestricted Operations Fund Balance	<u>1,412,553</u>
Income Available for Debt Service plus 20% of Unrestricted Operations Fund Balance	<u><u>\$21,666,121</u></u>

HARNETT COUNTY, NORTH CAROLINA
**REVENUE BOND STATEMENT OF REVENUES, EXPENSES, DEBT SERVICE,
AND DEBT SERVICE COVERAGE**

Year Ended June 30, 2008

Debt Service Requirements and Coverage

Parity Debt Service:

Series 2007 Revenue Bonds

\$1,160,523

\$1,160,523

Debt Service Coverage - Parity Indebtedness

18.669

Series 2007 Revenue Bond Covenant Requirement

1.200

Other Indebtedness:

Installment Purchases

1,475,057

GO Bonds

11,510,651

Capitalized Leases

13,518

State Bond Loans

1,808,677

14,807,903

Sum of Parity and GO Debt Service

\$15,968,426

**Debt Service Coverage - Sum of Parity and
System GO Indebtedness**

1.268

Series 2007 Revenue Bond Covenant Requirement

1.000