

## 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, 2008. 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.

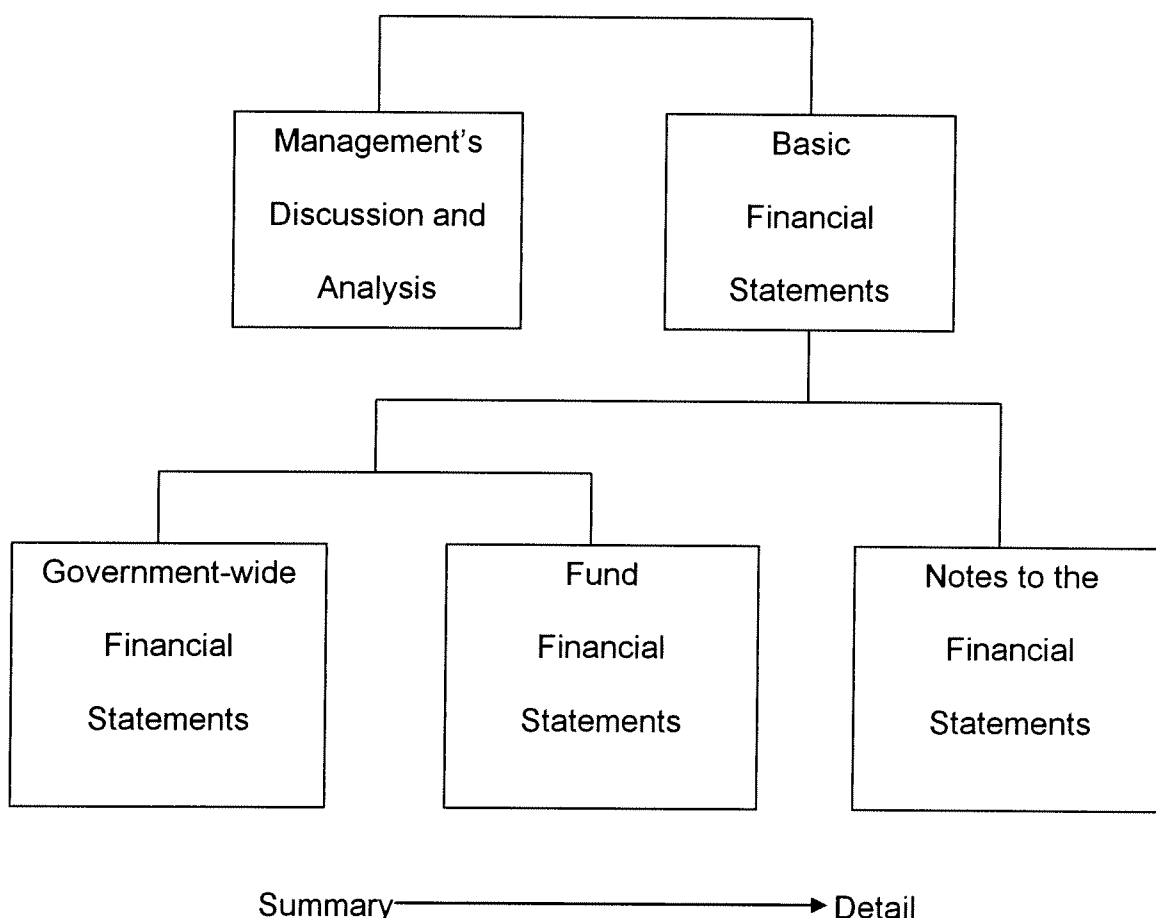
### Financial Highlights

- The assets of Harnett County exceeded its liabilities at the close of the fiscal year by \$128,797,496 (net assets).
- The government's total net assets increased by \$4,205,131. This increase was due to charges for water and sewer services and capital contributions for the Business-type activities and projects.
- In accordance with North Carolina law, liabilities of the County include approximately \$71.2 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 \$55,948,879, a decrease of \$15,030,187 in comparison with the prior year. Approximately 74.90% of this total amount, or \$41,909,754, 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 \$13,642,598, or 13.96% percent of total general fund expenditures for the fiscal year.
- Harnett County's total debt increased by \$14,614,056 (8.85%) 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 installment purchase agreement for the Angier Elementary School and the issuance of bond anticipation notes for the South Central Water and Sewer District.
- Harnett County maintained its A3 and A bond ratings for Certificates of Participation, A3 and A ratings for General Obligations and A3 and AA-ratings for Revenue Bonds as assigned by Moodys and Standard & Poors, respectively.

## 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 type 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 three 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-43 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 sixth 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 \$128,797,496 as of June 30, 2008. The County's net assets increased by \$4,205,131 for the fiscal year ended June 30, 2008.

The largest portion totaling \$148,811,986 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	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Cash and investments	\$ 48,950,326	\$ 59,974,543	\$ 15,590,277	\$ 16,054,847	\$ 64,540,603	\$ 76,029,390
Taxes receivable, net	626,970	1,100,875	-	2,954	626,970	1,103,829
Accounts receivable, net						
Accounts	3,065,882	2,628,987	4,020,163	3,647,008	7,086,045	6,275,995
Restricted intergovernmental	8,343,678	7,980,663	143,656	37,675	8,487,334	8,018,338
Other	2,508	3,608	-	-	2,508	3,608
Cash on deposit with escrow agent	1,856,896	4,175,346	-	-	1,856,896	4,175,346
Bond issue costs, net	826,082	892,041	979,991	671,205	1,806,073	1,563,246
Inventories	23,522	15,214	269,409	265,323	292,931	280,537
Capital assets:						
Nondepreciable	21,893,891	10,143,611	77,454,396	57,747,028	99,348,287	67,890,639
Depreciable	44,513,197	41,448,567	100,378,546	99,121,917	144,891,743	140,570,484
Total assets	<u>130,102,952</u>	<u>128,363,455</u>	<u>198,836,438</u>	<u>177,547,957</u>	<u>328,939,390</u>	<u>305,911,412</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	5,556,720	2,504,753	2,814,336	2,626,157	8,371,056	5,130,910
Accrued interest payable	581,204	472,661	342,070	390,008	923,274	862,669
Customer deposits	-	-	1,162,408	1,011,048	1,162,408	1,011,048
Unearned revenue	736,593	1,296,310	81,444	69,252	818,037	1,365,562
Claims payable	1,235,826	477,874	-	-	1,235,826	477,874
Long-term liabilities:						
Due in less than one year	10,000,225	8,462,536	13,931,235	4,325,957	23,931,460	12,788,493
Due in more than one year	105,083,038	97,643,179	58,616,795	62,039,311	163,699,833	159,682,490
Total liabilities	<u>123,193,606</u>	<u>110,857,313</u>	<u>76,948,288</u>	<u>70,461,733</u>	<u>200,141,894</u>	<u>181,319,046</u>
<b>Net assets</b>						
Capital assets, net of related debt	37,271,906	35,262,755	111,540,080	99,508,987	148,811,986	134,771,742
Unrestricted	(30,362,560)	(17,756,613)	10,348,070	7,577,237	(20,014,490)	(10,179,376)
<b>Total net assets</b>	<u>\$ 6,909,346</u>	<u>\$ 17,506,142</u>	<u>\$ 121,888,150</u>	<u>\$ 107,086,224</u>	<u>\$ 128,797,496</u>	<u>\$ 124,592,366</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 \$71.2 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 96.93%, which is slightly below the 2007 statewide average of 97.46% 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 for the Angier Elementary School Capital Project, which is funded by installment financing proceeds, will consist of the construction of a new elementary school which will seat 750 students. The existing structure, which was built in 1928, will be demolished before construction on the new building begins. The current school is located at 130 East McIver Street, Angier, North Carolina.
- The amount of cash on deposit with an escrow agent for the Law Enforcement Expansion Capital Project. This project provides for the construction, furnishing and equipping of a jail and law enforcement center. The new 300 bed facility, expandable to 370, will replace the current 85 bed facility. The new law enforcement center, which is being constructed in the existing Harnett County Governmental Complex, is scheduled to be completed in the Spring of 2009.
- Accounts receivable for the governmental activities increased due to an increase in the sales tax revenue, grant programs and services provided for emergency medical services.
- Accounts receivable for the Business-type Activities increased from the prior year due to an increase in the fees and customer activity. The daily average consumption of water increased from 8,742,905 gallons to 9,870,257, the number of water service connections increased from 37,794 to 37,891 and the number of sewer connections increased from 7,811 to 8,295.
- Capital assets increased for business-type activities as a result of the number of on-going construction projects.



## Harnett County Changes in Net Assets

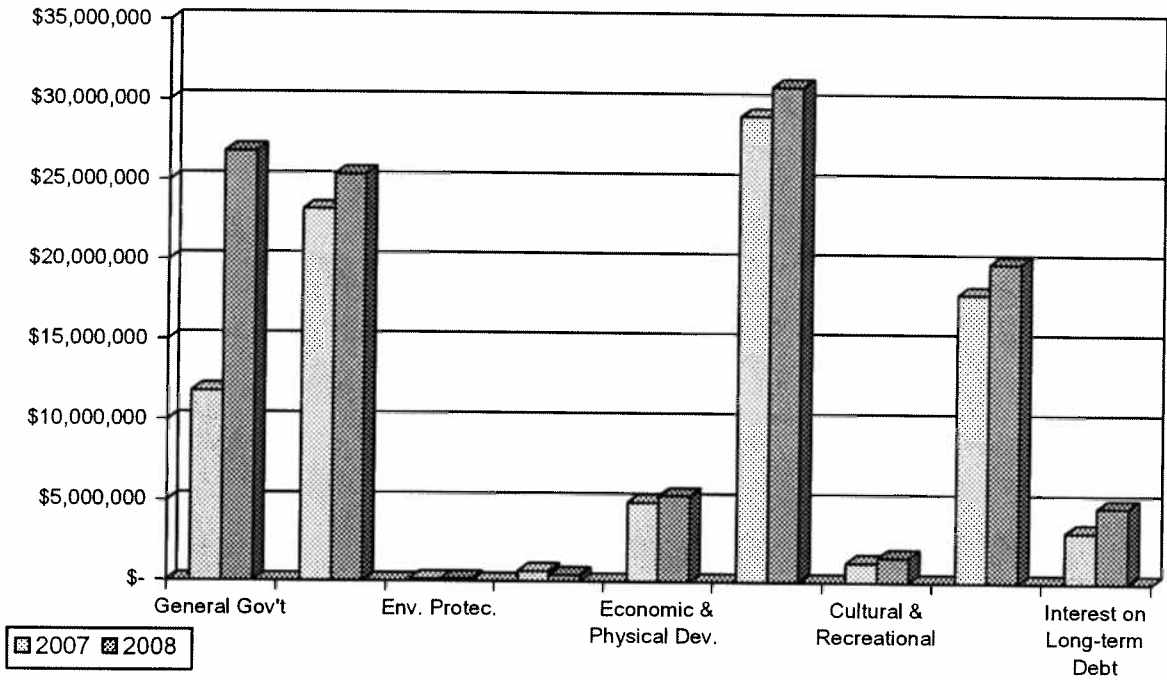
	Governmental Activities		Business-type Activities		Total
	2008	2007	2008	2007	
<b>Revenues:</b>					
Program revenues:					
Charges for services	\$ 12,896,575	\$ 11,817,416	\$ 25,294,146	\$ 23,211,204	\$ 38,190,721
Operating grants and contributions	21,694,768	20,497,406	511,300	-	22,206,068
Capital grants and contributions	15,000	19,656	9,638,451	21,431,292	9,653,451
General revenues:					
Property taxes	44,199,461	42,322,460	-	-	44,199,461
North Carolina sales tax	20,757,236	20,068,211	-	-	-
Other taxes	1,087,668	1,083,171	114,575	107,930	1,202,243
Grants and contributions not restricted to specific programs	144,532	668,085	-	-	-
Other	3,605,129	2,985,991	390,621	2,529,171	144,532
Total revenues	<u>104,400,369</u>	<u>99,462,396</u>	<u>35,949,093</u>	<u>47,279,597</u>	<u>119,592,226</u>
					<u>126,673,782</u>
<b>Expenses:</b>					
General government	26,813,716	11,819,168	-	-	26,813,716
Public safety	25,374,027	23,195,858	-	-	25,374,027
Environmental Protection	139,421	129,917	-	-	139,421
Transportation	407,741	639,875	-	-	407,741
Economic and physical development	5,382,775	4,958,192	-	-	5,382,775
Human services	30,964,992	29,108,185	-	-	30,964,992
Cultural and recreation	1,570,301	1,233,206	-	-	1,570,301
Education	19,928,849	18,006,432	-	-	19,928,849
Interest on long-term debt	4,730,870	3,204,761	-	-	4,730,870
Landfill	-	-	4,099,624	3,743,693	3,204,761
Water and sewer	-	-	16,667,249	15,117,851	4,099,624
Total expenses	<u>115,312,692</u>	<u>92,295,594</u>	<u>20,766,873</u>	<u>18,861,544</u>	<u>16,667,249</u>
					<u>111,157,138</u>
Increase in net assets before transfers	(10,912,323)	7,166,802	15,182,220	28,418,053	(16,487,339)
Transfers	315,527	219,199	(315,526)	(219,199)	1
Increase/(decrease) in net assets	(10,596,796)	7,386,001	14,866,694	28,198,854	4,269,898
Net assets, July 1	17,506,142	10,120,141	107,086,223	78,887,370	124,592,365
Net assets, June 30	<u>\$ 6,909,346</u>	<u>\$ 17,506,142</u>	<u>\$ 121,952,917</u>	<u>\$ 107,086,224</u>	<u>\$ 128,862,263</u>
					<u>\$ 124,592,366</u>



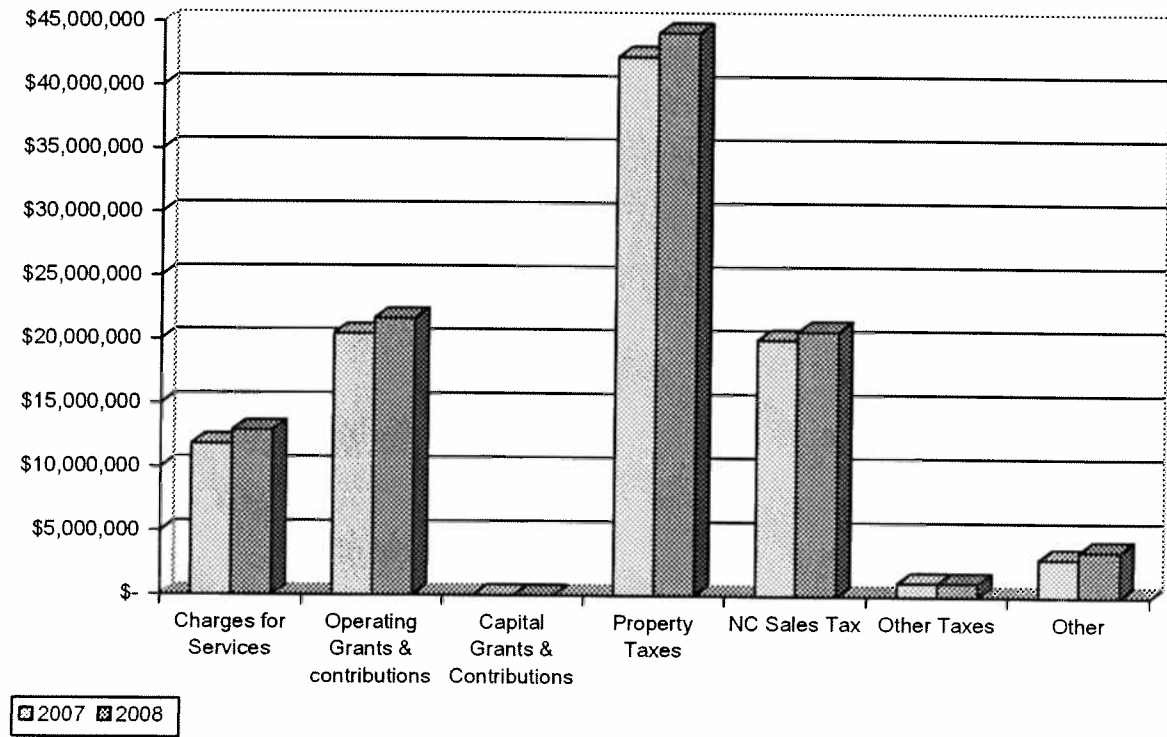
**Governmental activities.** Governmental activities decreased the County's net assets by \$10,596,796. Key elements of this decrease are as follows:

- The most significant change in the governmental activities net assets over the prior fiscal year was the expenses reported for General Government which increased \$14,994,548 or 126.87%. This increase was due to cost associated with the construction on the Overhills Elementary School Capital Project and the Angier Elementary School Project.
- Under General Revenues, property taxes increased by 4.43%. 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 \$689,025, or 3.43%, over the prior year. Sales tax continues to increase due to growth in the County.
- Charges for Services increased \$1,079,159 or 9.13% over the prior year. The most significant increase was in the area of Public Safety, which increased 23.97% over the prior year for services related to Animal Control, Court Costs and Ambulances services.
- Operating Grants and Contributions increased \$1,197,362, or 5.84%, over the prior year. Within this category, Education reflected the largest increase of \$1,892,557, over the prior year as a result of funds received from the Board of Education to be used toward various project. Human Services continued to increase over the prior year as a result of various Health Programs and Social Services Administration and Day Care Subsidy Programs.
- Expenditures for the payment of debt service interest and fees increased 47.62% as a result of the first debt payments which began on the 2007 Certificates of Participation and the refunding of a portion of the 2002 Certificates of Participation.

### Expenses – Governmental Activities



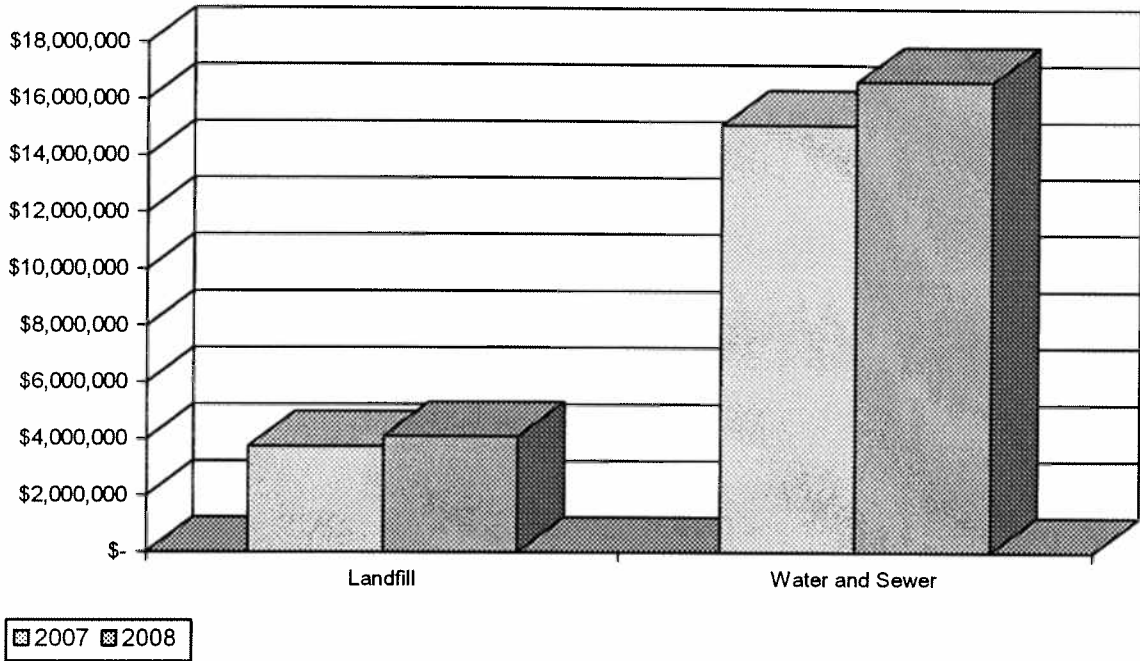
### Revenues by Source – Governmental Activities



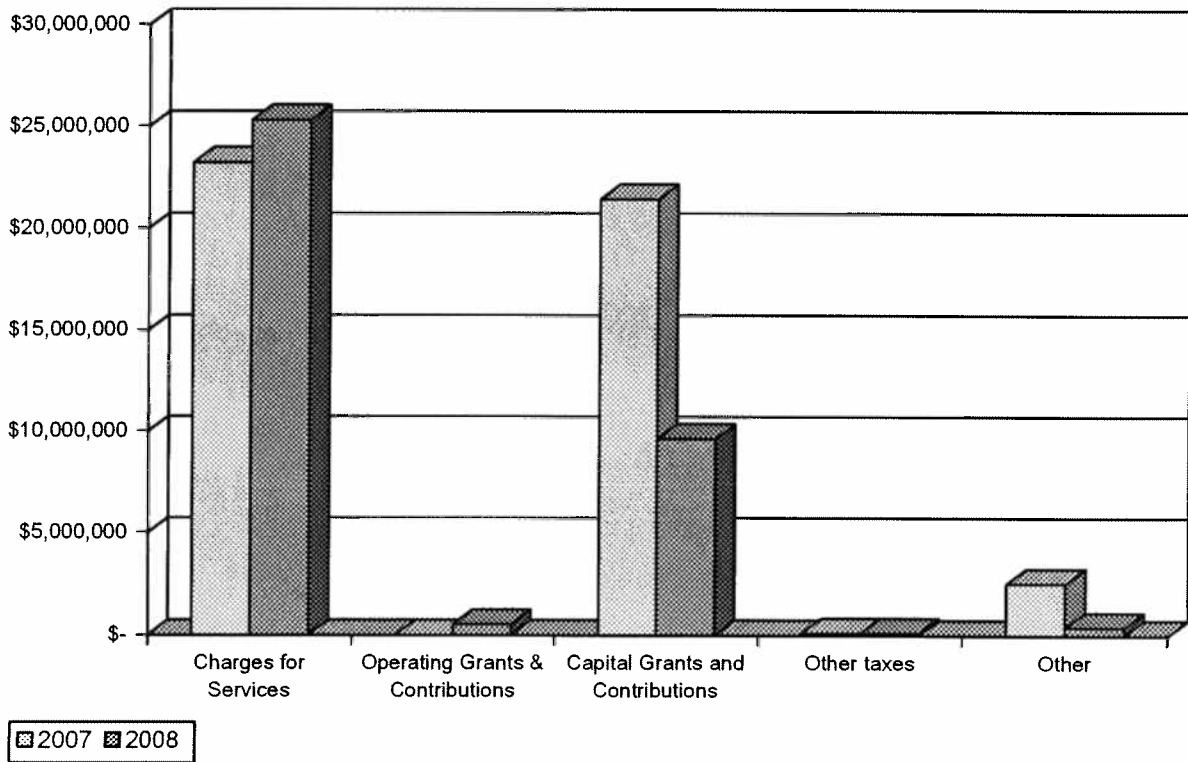
**Business-type activities:** Business-type activities increased Harnett County's net assets by \$14,801,927. Key elements of this increase are as follows:

- Charges for services increased 10.65% over the prior year as a result of a fee increase which was approved for the fiscal year and an increase in the average daily water consumption. Additionally, the number of service connections increased .27% for water and 6.2% for sewer over the prior year. The average daily consumption for water increased 12.89% and the average daily consumption increased 42.92%.
- Capital Grants and Contributions decreased 55% from \$21,431,292 to \$9,638,451. The intergovernmental revenue reported in this category is associated with various projects which are currently underway in the Public Utilities Department. The Harnett/Fuquay Wastewater Project consists of the building of a 30-inch gravity interceptor from the present Kenneth Creek Wastewater Treatment Plant site in Wake County approximately 8,600 feet to the Harnett County line. The line will continue along into Harnett County, where it will be upsized to 42 inches and then again to 48 inches in diameter, until it reaches the new regional pumping station. This project also includes an upgrade to the existing wastewater plant to treat the increased wastewater flows from the Town of Fuquay and northeastern section of Harnett County. The Fort Bragg Water Supply and Wastewater Treatment Project consists of the 8 mgd expansion of the Harnett County Regional Water Treatment Plant, the design of an 8 mgd expansion to the currently designed South Harnett Regional Wastewater Treatment Plant and the installation of waterlines and wastewater force main to serve Fort Bragg. The project also consists of the interim operations of the existing water and wastewater treatment plants located on Fort Bragg until these construction improvements are made. The Water Plant Expansion Project consists of the construction of an 18 mgd expansion of the Harnett Regional Treatment Plant which will bring the total water treatment capacity of the plant to 36 million gallons per day. Several local governments are purchasing capacity in the plant.
- Water and sewer expenditures increased 10.25% 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 \$9,021,127, while total fund balance reached \$24,976,919, an increase of 9.25% over the prior fiscal year due in part to the continued diligence in the collection of taxes and an increase in sales tax. 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 9.23% of total General Fund expenditures, while total fund balance represents 25.57% percent of that same amount.

At June 30, 2008, the governmental funds of Harnett County reported a combined fund balance of \$55,948,879, a 21.18% decrease over last year. Approximately 52.30% of this total amount (\$29,258,808) constitutes unreserved, undesignated fund balance, which is available for spending at the government's decision. Fund balance for the Law Enforcement Expansion Capital Project decreased 69% over the prior year to \$7,059,271. At fiscal year end, 64% of the project budget had been spent toward the construction of a new facility which is scheduled to be completed in the Spring of 2009. A new project, Angier Elementary, reported a total fund balance of \$13,178,410. This project, which began construction in May to replace an existing school built in 1928, has spent 12.6% of its current project budget. 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 (\$413,889),
- Pay debt service (\$2,061,549),
- Fund subsequent year's expenditures (\$4,621,471),
- Reserved by State Statute (\$11,412,068), and
- For a variety of other restricted purposes (\$151,619).

**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 \$534,179, and those for the Water and Sewer Fund equaled \$121,418,738. The total growth in net assets for both funds was \$(417,340) and \$15,284,043 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 \$4,462,384, and expenditures by \$5,617,923, a material amount. Following are the main components of this increase:

- \$3,436,696 supplemental appropriations for restricted intergovernmental revenues, an increase of 20.38% to reflect state and federal grants for the Health, Cooperative Extension, Sheriff and Emergency Management Departments which were either awarded for the fiscal year or adjusted from the original budget ordinance once final grant funding confirmations were received.
- \$340,775 supplemental appropriations permits and fees to reflect an increase in inspection and recreation fees.
- \$117,768 supplemental appropriations for sales and services due to an increase in the number of billable ambulance transport calls.
- \$389,630 supplemental appropriations for other general revenues were due to contributions from Wake Medical for the Pandemic Flu and Bioterrorism programs, the receipt of insurance proceeds, an increase in the use of jail phones by confined inmates and an increase in the number of donations received by various departments.
- \$595,108 supplemental appropriations for Economic & Physical Development expenditures were due largely to the receipt of various grants for Cooperative Extension. During the budget process, the County general budgets a portion of grant program expenditures pending final confirmation or denial by the grantor. Once a grant amount is confirmed by the funding agency, the budget is adjusted to reflect the final award.
- \$2,310,035 supplemental appropriations for Human Services were to adjust for Day Care and to budget for various Health Department programs funded by grants and contributions.

## 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, 2008, totals \$208,461,123 (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	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,214,535	\$ 2,214,535	\$ 2,667,112	\$ 2,554,484	\$ 4,881,647	\$ 4,769,019
Plant, distribution and collection systems	-	-	98,487,728	97,321,445	98,487,728	97,321,445
Buildings	33,159,652	33,942,350	551,944	583,157	33,711,596	34,525,507
Land Improvements	7,720,829	4,120,197	-	-	7,720,829	4,120,197
Furniture, fixtures and equipment	904,168	839,850	904,107	758,655	1,808,275	1,598,505
Computer hardware	49,939	131,682	-	-	49,939	131,682
Computer software	458,271	358,988	-	-	458,271	358,988
Vehicles	2,220,338	2,055,500	434,767	458,660	2,655,105	2,514,160
Construction in progress	19,679,356	7,929,076	74,805,729	55,192,544	94,485,085	63,121,620
<b>Total</b>	<b>\$ 66,407,088</b>	<b>\$ 51,592,178</b>	<b>\$ 177,851,387</b>	<b>\$ 156,868,945</b>	<b>\$ 244,258,475</b>	<b>\$ 208,461,123</b>

Additional information on the County's capital assets can be found in Note 7 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 \$179,685,321. Of this amount, \$25,417,000 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, 2008, the County's outstanding debt consisted of:

### Harnett County Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Installment purchase	\$ 110,290,619	\$ 101,683,332	\$ 10,161,918	\$ 11,503,883	\$ 120,452,537	\$ 113,187,215
General obligation bonds	-	-	25,417,000	16,452,000	25,417,000	16,452,000
Capitalized leases	905,925	736,726	13,455	70,963	919,380	807,689
Revenue Bonds	-	-	14,825,000	15,265,909	14,825,000	15,265,909
State Bond loan	-	-	18,071,404	19,358,452	18,071,404	19,358,452
	<u>\$ 111,196,544</u>	<u>\$ 102,420,058</u>	<u>\$ 68,488,777</u>	<u>\$ 62,651,207</u>	<u>\$ 179,685,321</u>	<u>\$ 165,071,265</u>

Harnett County's total debt increased by \$14,614,056 (8.85%) 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, A3 and A for General Obligations, and received A3 and AA for Revenue Bonds from Moody's Investor Service and Standard and Poor's Corporation. 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 \$298,983,203. The County has \$32,247,000 in bonds authorized but unissued at June 30, 2008.

Additional information regarding Harnett County's long-term debt can be found in notes 10 and 11 on pages F-24 through F-35 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, 2008 was 6.60%, which is an increase from a rate of 5.10% a year ago. Compared to the State average of 6.20% 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, 2009**

**Governmental Activities:** Property taxes and revenues from sales and services 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. A property revaluation, which is scheduled for the budget year, will become effective January 1, 2009. This revaluation, 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 \$101,973,184 and include amounts appropriated for Interfund transfers, debt service, capital reserve and contingency. The increase in the budget is due to the implementation of a 3% cost-of-living increase for employees, the addition of new positions in the Public Buildings, Sheriff, Soil & Water and Family Caregiver Support Departments, an increase in education funding and debt service for the construction of the Angier Elementary School.

**Business-type Activities:** The water and sewer rates for the 2008 – 2009 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 were also increased for the 2008 - 2009 fiscal year. This increase was necessary to continue to meet the growing demands for service, fund debt payments on the new transfer station and remit the \$2 per ton excise tax, which became effective July 1, 2008, to the North Carolina Department of Revenue. Expenditures for Public Utilities and Solid Waste for the fiscal year have been budgeted at \$20,325,249 and \$4,245,237, respectively. These budgeted expenditures will cover increased personnel, supplies and operating costs associated with the increasing demand for utility and landfill services due to growth.

## **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.