

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Harnett County ("the County") and its component units conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute ("G.S.") 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements. The blended component units, although they are legally separate entities, are in substance, part of the County's operations.

Blended Component Units

Harnett Water and Sewer Districts

Harnett County Water and Sewer Districts (the "Districts") exist to provide and maintain a water system for the county residents within the districts. Under State law G.S. 162A-89J, the County's Board of Commissioners also serves as the governing board for the Districts. Therefore, the Districts are reported as enterprise funds in the County's financial statements.

The County has the following ten water and sewer districts, which are accounted for as enterprise funds:

Northeast Metro Water and Sewer District	Southwest Water and Sewer District
Buies Creek/Coats Water and Sewer District	Bunnlevel/Riverside Water and Sewer District
South Central Water and Sewer District	Southeast Water and Sewer District
West Central Water and Sewer District	East Central Water and Sewer District
Northwest Water and Sewer District	Riverside Water and Sewer District

The County entered into an agreement during fiscal year 1998, with each existing District and which will encompass additional Districts as they are created, that transferred all assets, liabilities (excluding bond indebtedness, loans, and installment notes, along with accrued interest payable), operational rights, and responsibilities to the County. In consideration for this agreement, along with related accrued interest payables, the County agreed to pay the Districts an amount equal to debt service costs for the respective Districts for the duration of the respective bonds, loans, and notes.

The County maintains the Districts' assets, provides water and sewer operations and makes payments on outstanding debts on behalf of the respective Districts. Therefore, the County's financial statements reflect the assets and debts in the Harnett County Public Utilities Fund. The board of county commissioners sits as the board of each District. No separate financial statements are issued by these Districts as they have no operations, only certain outstanding debt that is paid on their behalf by the County pursuant to the agreement noted above.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Component Unit

Harnett County Industrial Facility and Pollution Control Financing Authority

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

B. Basis of Presentation, Measurement Focus — Basis of Accounting

Government-Wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category — *governmental, proprietary and fiduciary* — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds, if any, are aggregated and reported as nonmajor funds.

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

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following major governmental fund:

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

Law Enforcement Expansion Capital Project Fund. This fund is used to account for the expenditures and revenues for the construction of a new Law Enforcement Center/Detention Facility.

Angier Elementary School Project Fund. This fund is used to account for the expenditures and revenues associated with school construction projects.

The County reports the following nonmajor governmental funds:

Special Revenue Funds. Special Revenue Funds account for the proceeds of special revenue sources that are legally restricted to the expenditure for special purposes. All of these funds are annually budgeted. The County reports the following Special Revenue Funds: Section 8 Housing Fund; Special Districts Fund; Law Enforcement Fund; Emergency Telephone System Fund; Automation Enhancement & Preservation Fund; Emergency Response Planning Fund; Worker's Compensation Fund; Harnett Memorial Fund; Abandoned Manufactured Homes Fund; Group Insurance Fund.

Capital Project Funds. Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities. The County reports the following Capital Project Funds: School COPS 2002 Capital Project Fund; Transportation Facility Design Capital Project Fund; Land Acquisition & Runway Safety Capital Project Fund; School Improvement QZAB Capital Project Fund; Housing Preservation Capital Project Fund; Overhills Elementary Capital Project Fund; Barbecue Creek Park Capital Project Fund; Dunn Erwin Trail Capital Project Fund; Runway & Parallel Extension Capital Project Fund; School Improvements QZAB III Capital Project Fund; Single Family SFR Capital Project Fund; Cape Fear River Trail Capital Project Fund; Coats Elementary Gym Capital Project Fund; Airfield Vision 100 Capital Project Fund; Scattered Site Housing 2008 Capital Project Fund; Boone Trail Elementary Capital Project Fund; Harnett Central High School Capital Project Fund; Johnsonville Elementary Capital Project Fund; Highland Elementary Gym Capital Project Fund.

Debt Service Funds. Debt service funds are used account for certification of participation payments. The County reports the following Debt Service Funds: Debt Service Reserve COPS 2002 Fund.

The County reports all enterprise funds as major. Harnett County maintains one enterprise fund to account for the operations of the water and sewer districts. The County maintains ten additional funds to account for the debt service for each district. The County maintains a separate enterprise fund for the operations of the landfill. The County's enterprise funds consist of the following:

Harnett County Public Utilities Fund. This fund is used to account for the operations of the ten water and sewer districts, which provide water and sewer to the residents of the County.

Individual Water and Sewer Funds. These funds are used to account for the debt service for each of the water and sewer districts. These funds are the Northeast Metro Water and Sewer District, the Buies Creek / Coats Sewer District, the South Central Water and Sewer District, the West Central Water and Sewer District, the Northwest Water and Sewer District, the Southwest Water and Sewer District, the Bunnlevel / Riverside Water and Sewer District, the Southeast Water and Sewer District, the East Central Water and Sewer District, and Riverside Water and Sewer District.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Harnett County Public Utilities Fund also includes the following projects:

Harnett Fuquay Wastewater Project, South Central Wastewater Project, Titan Wastewater Extension Project, Raw Water Intake Upgrade Project, Fort Bragg NTA Housing Project, Erwin Wastewater Project, Lafayette School Project, East Central Improvements Project, Bragg Water & Wastewater Project, Water Plant Expansion Project, Buffalo Lakes Wastewater Project, Southwest NTA/Cameron Hill Project, Edgerton Water Tank Project.

Solid Waste Management Fund. This fund is used to account for the operations of the Harnett County Landfill.

The Solid Waste Management Fund also includes the following project:
Solid Waste Transfer Station Project.

The County reports the following fund type:

Agency Funds - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets held by the County as an agent on behalf of others. The County maintains three Agency Funds: the Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals, the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County, and the State Vehicle Tax Fund, which accounts for the 3% interest penalty on past due motor vehicle property tax bills that are remitted to the North Carolina Department of Motor Vehicles.

C. Measurement Focus, Basis of Accounting

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

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

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

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements. For motor vehicles, which are renewed and billed under the annual system, taxes are due on May 1 of each year. Uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2009 because they are intended to finance the County's operations during the 2009 fiscal year.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. Formal budgetary accounting is employed as a management control for all funds of the County. Annual budget ordinances are adopted each fiscal year, and amended as required, for the General Fund, all debt service funds, all special revenue funds and for the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital project funds. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

The legal level of control over expenditures is at the department level for the General Fund, Special Revenue funds, and Enterprise funds. The balances in the Capital Reserve Funds will be appropriated when transferred to the General Fund or their respective capital project funds. The County Manager is authorized by the budget ordinance to transfer amounts between line item expenditures within a department without limitation with an official report on such transfers at the next regular meeting of the board of commissioners. These changes should not result in changes in recurring obligations such as salaries. The manager may not transfer amounts between departments of the same fund or transfer amounts between funds or from any contingency appropriation within a fund. All other transfers, as well as any revisions that alter the total expenditures of any fund, require prior approval by the board of commissioners. During the year, a significant number of amendments to the original budget were necessary.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

D. Budgetary Data (continued)

- March 20 - Each department head submits to the budget officer the budget requests and revenue estimates for their department for the budget year.
- May 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- June 19 - The budget ordinance shall be adopted by the governing board.

E. Assets, Liabilities, and Fund Equity

Deposits and investments

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

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, and SEC-registered (2a-7) money market mutual funds, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments including commercial paper that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The investment income is allocated based on each fund's monthly balance in relation to the total pooled cash balance.

For purposes of the Statement of Cash Flows, the County's proprietary funds consider equity in pooled cash and investments to be cash equivalents as they are essentially demand deposit accounts.

Restricted Assets

The unexpended bond proceeds of the Water and Sewer Fund Serial Bonds issued by the County are considered restricted assets (i.e., cash and investments) for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. The unexpended certificate of participation proceeds in the Water and Sewer Fund and the Capital Projects Funds are deposited in a trustee account and are also restricted assets because of contractual requirements. Such amounts are included in cash and investments and are described in the footnotes. The Cash on deposit with escrow agent in the Debt Service Fund is contractually restricted to meet the final debt service payments on certain COPS issuances. Restricted cash in the general fund is accumulated and applied against debt interest payments. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007 as allowed by state law; the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of allowances for doubtful accounts. These amounts are estimated by analyzing the percentage of receivables, which are not expected to be collected.

Inventory

Inventory is determined by physical count and valued at cost, which approximates market. The inventory of the General Fund consists of expendable supplies held for consumption that are recorded as expenditures when purchased. The inventory of the enterprise funds consists of chemicals, meters and meter boxes, fuel oil, tubing and other supplies held for consumption. In each case, the cost of the inventory carried in the County's enterprise fund is recorded as an expense when the inventory is consumed.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The minimum capitalization threshold is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The County does not own any infrastructure assets.

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

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings and improvements	50 years
Plant, distribution and collection system	20 to 40 years
Furniture	10 years
Equipment	5 years
Computer hardware	3 years
Computer software	3 years
Vehicles	6 years

Long-Term Obligations

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

In the fund financial statements for the governmental fund types, the face amount of debt issued is reported as an other financing source.

Compensated Absences

The vacation policy of the County provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the government-wide financial statements and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Because the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Assets/Fund Balance

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b) (16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balance as follows:

Reserved

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which is not an expendable, available resource.

Reserved for encumbrances - portion of fund balance available to pay for commitments relating to purchase orders and contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State Law [G.S. 159-8 (a)]. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for debt service - portion of fund balance constituting the final debt service payments for certain COPS issuances set aside with an escrow agent. The funds are legally restricted for this purpose.

Reserved for Register of Deeds - portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds office.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation, which has been designated, for the adopted 2009-2010 budget ordinance.

Undesignated - portion of total fund balance available for appropriation, which is uncommitted at year-end.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

New Pronouncements

GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations"

This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plan decommissioning. GASB 49 is effective for periods beginning after December 15, 2007. The implementation of this standard did not have a material impact on the County.

Upcoming Pronouncements

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." Statement 53 is intended to improve how state and local governments report information about derivative instruments financial arrangements used by governments to manage specific risks or make investments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. The County is currently evaluating the impact of these standards.

The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2010, with earlier application encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 2 - CASH AND INVESTMENTS

A. Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no policy regarding custodial credit risk for deposits.

At June 30, 2009 the County's deposits had a carrying amount of \$29,965,518 and a bank balance of \$36,226,331. Of the bank balance, \$901,634 was covered by federal depository insurance and \$35,324,697 was covered by collateral held under the Pooling Method.

At June 30, 2009, Harnett County had \$4,790 cash on hand.

B. Investments

At June 30, 2009, the County's investments consisted of \$42,629,335 the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on interest rate risk or credit risk.

Cash and investments at June 30, 2009, include the following restricted amounts:

General Fund Restricted:

Harnett County COPS 2003 (1994) Schools	\$ 134,950
Harnett County COPS 2003 (1994) Governmental Complex	47,415
Harnett County COPS 2000 School	1,682
Harnett County COPS 2000 Courthouse	2,323
Harnett County COPS 2002 School	3,908
Harnett County COPS 2007	323
Harnett County COPS 2007(2000) Refunding	6,696
	<u>197,297</u>

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 2 - CASH AND INVESTMENTS

Capital Project Funds:

Harnett County COPS 2002 School Construction	\$ 423
Harnett County Schools QZAB Construction	103,510
Harnett County COPS 2007 Law Enforcement Expansion	1,295,251
Harnett County COPS 2007 Overhills Elementary School	1,271,688
Harnett County COPS 2009 Schools	26,884,731
Harnett County Schools Angier Elementary	<u>2,403,012</u>
	<u>31,958,615</u>

Enterprise Funds:

Harnett County Public Utility Fund COPS 2003 (1994)	18,036
Harnett County Public Utility Fund COPS 2002	387
Harnett County Public Utility Fund COPS 2007 Revenue Bonds	110,381
Fort Bragg NTA Housing Project Fund	6
Lafayette School/Highway 421 Project Fund	836,910
Water Plant Expansion	6,174,109
Edgerton Water Tank	2,318,550
Solid Waste Fund COPS 2007	<u>23</u>
	<u>9,458,402</u>

Total restricted cash and investments \$ 41,417,017

NOTE 3 – PROPERTY TAX – USE-VALUE ASSESSMENT ON CERTAIN LANDS

In accordance with the general statutes, agriculture, horticulture and forest land may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2005	\$3,440,762	\$1,178,461	\$4,619,223
2006	3,439,381	868,444	4,307,825
2007	3,346,734	543,844	3,890,578
2008	<u>3,704,316</u>	<u>268,563</u>	<u>3,972,879</u>
	<u>\$ 13,931,193</u>	<u>\$ 2,859,312</u>	<u>\$ 16,790,505</u>

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 4 - RECEIVABLES

Taxes and accounts receivable as of year-end are shown on the accompanying statements net of the allowance for doubtful accounts, as follows:

Fund	Allowance for Doubtful Accounts
General	\$ 4,544,821
Nonmajor Governmental	211,915
Governmental activities	4,756,736
Public Utility	751,749
Solid Waste	109,264
Business-type activities	861,013
	\$ 5,617,749

NOTE 5 – DEFERRED/UNEARNED REVENUES

The balance in deferred or unearned revenue in the fund financial statements and unearned revenue in the government-wide financial statements at year-end was composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 249,538
Prepaid taxes not yet earned (Other governmental funds)	-	24,798
Accounts Receivable Ambulance (General)	2,190,592	
Unexpended grant (General)	-	442,736
Taxes receivable, net (General)	439,916	-
Taxes receivable, net (Other governmental funds)	68,059	-
Unearned (Public Utilities)	-	96,423
	\$ 2,698,567	\$ 813,495

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS

A. Governmental Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balances	Increases	Decreases and Transfers	Ending Balances
Governmental activities:				
Capital Assets not being depreciated:				
Land	\$ 2,214,535	\$ -	\$ -	\$ 2,214,535
Construction in progress	19,679,356	6,095,361	(483,804)	25,290,913
Total capital assets not being depreciated	21,893,891	6,095,361	(483,804)	27,505,448
Capital assets being depreciated				
Buildings	40,402,986	13,809	-	40,416,795
Land improvements	10,719,265	486,110	-	11,205,375
Furniture	75,105	-	-	75,105
Equipment	3,911,685	17,219	-	3,928,904
Computer hardware	1,296,854	52,285	-	1,349,139
Computer software	2,126,264	89,374	-	2,215,638
Vehicles	6,393,682	960,770	(515,068)	6,839,384
Total capital assets being depreciated	64,925,841	1,619,567	(515,068)	66,030,340
Less accumulated depreciation for:				
Buildings	7,243,333	804,788	-	8,048,121
Land improvements	2,998,436	515,925	-	3,514,361
Furniture	72,594	269,220	-	341,814
Equipment	3,010,028	21,011	-	3,031,039
Computer hardware	1,246,915	49,685	-	1,296,600
Computer software	1,667,993	202,358	-	1,870,351
Vehicles	4,173,344	720,587	(487,229)	4,406,702
Total accumulated depreciation	20,412,643	\$ 2,583,574	\$ (487,229)	22,508,988
Total capital assets being depreciated, net	44,513,198			43,521,352
Governmental activity capital assets, net	\$ 66,407,089			\$ 71,026,800

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

General government	\$ 884,652
Public safety	950,350
Environmental Protection	3,326
Transportation	489,148
Economic and physical development	100,649
Human services	98,363
Cultural and recreational	57,086
	\$ 2,583,574

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS (continued)

B. Business-type Capital Assets

	Beginning Balances	Increases	Decreases and Transfers	Ending Balances
Business-type activities:				
<i>Public Utilities</i>				
Capital Assets not being depreciated:				
Land	\$ 1,820,838	\$ -	\$ -	\$ 1,820,838
Construction in progress	72,666,719	53,282,856	(1,901,012)	124,048,563
Total capital assets not being depreciated	74,487,557	53,282,856	(1,901,012)	125,869,401
Capital assets being depreciated				
Plant, distribution and collection systems	131,183,778	4,305,322	-	135,489,100
Buildings and building improvements	82,872	-	-	82,872
Furniture, fixtures and equipment	1,799,460	34,010	-	1,833,470
Vehicles	1,888,988	499,458	(30,537)	2,357,909
Total capital assets being depreciated	134,955,098	4,838,790	(30,537)	139,763,351
Less accumulated depreciation for:				
Plant, distribution and collection systems	32,696,050	3,315,387	-	36,011,437
Buildings and building improvements	86,752	6,672	-	93,424
Furniture, fixtures and equipment	1,531,633	115,086	-	1,646,719
Vehicles	1,459,407	197,694	(30,537)	1,626,564
Total accumulated depreciation	35,773,842	\$ 3,634,839	\$ (30,537)	39,378,144
Total capital assets being depreciated, net	99,181,256			100,385,207
Public Utilities capital assets, net	<u>\$ 173,668,813</u>			<u>\$ 226,254,608</u>
<i>Solid Waste Management</i>				
Capital Assets not being depreciated:				
Land	\$ 846,274	\$ 66,014	\$ -	\$ 912,288
Construction in progress	2,120,565	(12,065)	(2,108,500)	-
Total capital assets not being depreciated	2,966,839	53,949	(2,108,500)	912,288
Capital assets being depreciated				
Buildings and building improvements	1,014,577	2,017,200	-	3,031,777
Furniture, fixtures and equipment	2,717,640	68,500	(159,505)	2,626,635
Vehicles	102,177	17,426	(40,824)	78,779
Total capital assets being depreciated	3,834,394	2,103,126	(200,329)	5,737,191
Less accumulated depreciation for:				
Buildings and building improvements	458,753	52,599	-	511,352
Furniture, fixtures and equipment	2,081,360	243,292	(151,529)	2,173,123
Vehicles	96,991	1,386	(36,705)	61,672
Total accumulated depreciation	2,637,104	\$ 297,277	\$ (188,234)	2,746,147
Total capital assets being depreciated, net	1,197,290			2,991,044
Solid Waste Management capital assets, net	<u>\$ 4,164,129</u>			<u>\$ 3,903,332</u>

Construction period interest expense, net of interest earned in the amount of \$ 2,235,743 has been capitalized in the cost of business-type capital assets during the year ended June 30, 2009.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS (continued)

At June 30, 2009, construction in progress for the business type activities consists of the following projects:

	Project Authorization	Expended To Date
Harnett Fuquay Wastewater	\$46,817,802	\$46,780,231
South Central Wastewater	24,092,100	20,398,320
Raw Water Intake Upgrade	958,956	939,466
Fort Bragg NTA Housing	5,659,254	5,259,165
Erwin Wastewater	6,918,125	2,316,692
Lafayette School	1,010,089	590,728
East Central Improvements	3,625,500	135,597
Bragg Water & Wastewater	15,693,267	10,089,689
Water Plant Expansion	58,675,341	36,717,723
Buffalo Lakes Wastewater	1,898,444	607,469
Southwest NTA/Cameron Hill	4,870,404	213,483
Total	<u>\$170,219,282</u>	<u>\$124,048,563</u>

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 7 – ACCOUNTS PAYABLE

Payables at the government-wide level at June 30, 2009, were as follows:

	Governmental-wide Financial Statements							Adjustments to Full-Accrual	Total
	Fund Financial Statements								
	General Fund	Law Enforcement Expansion	Angier Elementary	Public Utilities	Solid Waste	Nonmajor Funds	Total		
Accounts and vouchers	\$ 951,117	\$ 267,325	\$ 1,134,214	\$ 8,085,112	\$ 62,246	\$ 2,703,165	\$ 13,203,179	\$ -	\$ 13,203,179
Retainage	-	12,920	-	2,701,875	-	-	2,714,795	-	2,714,795
Accrued payroll and related liabilities	70,348	-	-	4,149	1,300	-	75,797	-	75,797
Accrued interest payable	-	-	-	635,769	8,554	-	644,323	492,239	1,136,562
Other	-	-	-	-	-	-	-	-	-
Social services	9,108	-	-	-	-	-	9,108	-	9,108
Total Accounts payable and accrued liabilities	\$ 1,030,573	\$ 280,245	\$ 1,134,214	\$ 11,426,905	\$ 72,100	\$ 2,703,165	\$ 16,647,202	\$ 492,239	\$ 17,139,441

Adjustments to Full-accrual include \$492,239 related to recording accrued interest on general long-term debt. Finally, the fiduciary fund financial statements include \$161,288 in accounts payable and accrued liabilities recorded in agency funds. This amount is excluded from the foregoing schedule and represents amounts due to various other agencies, individuals or governments.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 8 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County is with a guaranteed cost program and the carrier is Argonaut Great Insurance Company. The total blanket for property is \$182,219,158 and liability limits are \$2,000,000 per occurrence and cover all General Liability, Auto Liability, Professional and employment practices. The auto physical damage coverage for owned autos is at actual cash value with replacement coverage on ambulances and crime coverage of \$250,000 per occurrence.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. The County also is eligible to and has purchased commercial flood insurance for another \$500,000 of coverage per structure.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance is bonded for \$50,000 and the Tax Collector and Register of Deeds are each individually bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County's Health Insurance is self-insured. Blue Cross Blue Shield serves as a Third Party Plan Administrator. The County is responsible for all claims up to \$110,000 per occurrence, any claims above \$110,000 per occurrence are covered through the County's stop-loss insurance through Blue Cross Blue Shield up to Annual Aggregate Stop Loss Maximum of \$1,000,000 and Specific Stop Loss Lifetime Maximum of \$5,000,000.

The Worker's Compensation Insurance is self insured with reinsurance through Safety National Insurance Company and Key Risk Management Services, Inc. as the Third Party Plan Administrator. The coverage for Worker's Compensation has limits of \$1,000,000 for bodily injury by accident for each accident, \$1,000,000 for bodily injury by disease policy limit, and \$1,000,000 bodily injury by disease for each employee. The County's self insured retention per occurrence is \$500,000.

The County uses a third party administrator to process worker's compensation and health insurance claims. At June 30, 2009, a liability for claims of \$1,235,846 included on the accompanying statement of net assets for governmental activities. An analysis for the County is presented below:

	June 30,	
	2009	2008
Liability as of beginning of the year	\$ 1,235,846	\$ 477,874
Current year claims and changes in estimates	276,972	1,305,253
Actual claim payments	(572,246)	(547,281)
Liability as of end of the year	\$ 940,572	\$ 1,235,846

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 9 – CAPITAL LEASE OBLIGATIONS

The County has entered into agreements to lease certain equipment. At June 30, 2009, the original cost of equipment under these leases is approximately \$1,095,766. Title passes to the County at the end of the lease term. These agreements are in substance lease-purchases.

	Original Issue	Interest Rate	Final Maturity	Amount Outstanding	
				Governmental	Business Type
Capitalized Lease Obligations:					
"CAMA" Tax Software	\$ 72,345	3.24%	February 2011	\$ 41,057	-
Ambulances and Monitors	129,948	3.49%	August 2009	26,865	-
Zoll Monitors	194,728	6.61%	November 2011	98,502	-
Ambulances	215,378	3.17%	March, 2014	208,612	-
"Firehouse" EMS Software	143,959	3.28%	January 2013	107,181	-
Ambulances	213,908	2.80%	March 2013	163,202	-
Musco Lighting System	52,000	4.24%	July 2012	58,315	-
Musco Lighting System	73,500	6.04%	July 2010	21,886	-
Total	\$ 1,095,766			\$ 725,620	\$ -

The following is a schedule of minimum future payments required under capital lease obligations:

Governmental Activities:

Lease purchases of various equipment

Payments of varying amounts totaling \$20,741 per month \$ 772,493

Less amounts representing interest (46,873)

Total \$ 725,620

At June 30, 2009, the net book value of capital assets (cost and accumulated depreciation) associated with leases is \$898,686.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG TERM OBLIGATIONS

Installment purchases financed by the governmental funds are repaid from the resources of the General Fund. The installment purchases, general obligation bonds, state bonds and revenue bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by resources from users are reported as long-term debt in the enterprise funds. All bonds are collateralized by the full faith, credit and taxing power of the district in which the obligations originate. Principal and interest requirements are appropriated when due.

	Issue Date	Original Issue	Interest Rate	Final Maturity	Amount Outstanding	
					Governmental	Business Type
Installment Purchase Agreements:						
Central Carolina Community College						
Classroom Construction	June 1997	\$ 1,000,000	5.00%	June 2012	\$ 263,165	\$ -
COPS 2000			4.75%-5.50%	December 2016		
58% County Courthouse	July 2001	13,731,500			4,669,000	-
42% Schools		9,943,500			3,381,000	-
COPS 2003(Refinanced 1994 COPS)	July 2003		2%-5%	October 2013		
50% Southwest Regional						
Construction of Waterlines		1,170,600			-	765,000
50% Water Plant		2,184,600			-	765,000
COPS 2002	May 2002		2.50%-5.38%			
90% Construction of School Facilities		31,325,000		December 2022	27,825,000	-
3% Southwest Regional III		1,035,000		December 2006		-
5% Harnett Fuquay Wastewater		1,900,000		December 2022		1,005,635
1% Southwest "WH School"		405,000		December 2022		214,366
Agriculture Center	January 2005	2,845,000	3.39%	June 2020	2,503,448	-
COPS 2007	May 2007		4%-5%	December 2027		
53% Jail Facility		23,220,225			23,220,225	-
42% Construction of School Facilities		18,279,775			18,279,775	-
5% Solid Waste Transfer Station		2,000,000			-	2,000,000
Partial Refunding of COPS 2000		4,765,000			4,765,000	
COPS 2009						
School Construction	February 2009	35,075,000	3%-5%	June 2029	35,075,000	-
Angier Elementary School	May 2008	15,000,000	4.17%	June 2028	14,250,000	-
Qualified Zone Academy Bonds	May 2004	4,000,000	0.00%	May 2020	3,011,051	-
Qualified Zone Academy Bonds	October 2005	789,500	0.00%	October 2021	667,883	-
Harnett County Installment Purchase	December 1999	4,675,000	5.30%	December 2014	-	1,870,000
Wellons Buyout						
Harnett County Installment Purchase	November 2005	1,500,000	3.54%	October 2015	-	1,050,000
Davis Tract						
Harnett County Installment Purchase						
Sanitary Sewer Hwy 87	June 2004	2,100,000	4.51%	June 2019	-	1,400,000
Total		\$ 176,944,700			\$ 137,910,547	\$ 9,070,001

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG TERM OBLIGATIONS (continued)

General Obligation Bonds:

All general obligation bonds issued by the County's water and sewer districts are to fund the acquisition and construction of major capital facilities. The County entered into an agreement during fiscal year 1998, with each existing District, that transferred all assets, liabilities (excluding bond indebtedness, loans, and installment notes) operational rights and responsibilities to the County. As such, general obligation bonds are direct obligations and pledge the full faith and credit of the District which the County has entered into a contractual agreement to pay.

	Issue Date	Original Issue	Interest Rate	Final Maturity	Amount Outstanding	
					Governmental	Business Type
General Obligation Bonds:						
Buies Creek-Coats Sanitary Sewer Refunding Bonds	May 1993	\$ 1,880,000	5.6%-5.7%	June 2012	\$ -	\$ 300,000
South Central Refunding	May 2004	2,625,000	2.5%-5.25%	June 2028	-	2,188,272
South Central Sanitary Sewer 2009 A	June 2009	6,753,000	4.25%	June 2049	-	6,753,000
South Central Sanitary Sewer 2009 B	June 2009	3,000,000	4.38%	June 2049	-	3,000,000
Bunnlevel/Riverside Refunding	May 2004	170,000	2.5%-5.25%	June 2028	-	141,728
West Central Refunding	May 2004	2,305,000	2.5%-5.25%	June 2028	-	1,960,000
Northwest Refunding	May 2004	1,375,000	2.5%-5.25%	June 2028	-	1,150,000
Northwest Phase II Water Bonds	October 1997	995,000	5.30%	June 2016	-	510,000
Southwest Refunding	May 2004	3,790,000	2.5%-5.25%	June 2028	-	3,125,000
Southeast Water Bonds	December 1993	1,482,000	5.13%	June 2033	-	1,185,000
East Central Water Bonds Series A	October 1995	3,608,000	5.13%	June 2035	-	3,030,000
East Central Water Bonds Series B	October 1995	172,000	5.25%	June 2035	-	146,000
Riverside Water Bonds Series A	July 2001	940,000	4.76%	June 2041	-	866,500
Riverside Water Bonds Series B	July 2001	254,000	4.88%	June 2041	-	235,500
					-	
Total		<u>\$ 29,349,000</u>			<u>\$ -</u>	<u>\$ 24,591,000</u>

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG TERM OBLIGATIONS (continued)

Revenue Bond Loans:	Issue Date	Original Issue	Interest Rate	Final Maturity	Amount Outstanding	
					Governmental	Business Type
Enterprise System Revenue Bond Loans:						
Series 2007 A (Tax Exempt)	May 2007	\$ 13,235,000	4%-5%	May 2028	\$ -	\$ 13,235,000
Series 2007 B (Taxable)	May 2007	2,075,000	4%-5%	May 2028	-	1,120,000
Series 2008 (Taxable)	August 2008	26,470,000	6.142%-7.2%	May 2034	-	26,470,000
Total Business-type Activities Revenue Bond Loans					\$ -	\$ 40,825,000
State Bond Loans:						
Harnett/Wake Transmission Line	March 2001	\$ 864,047	5.25%	May 2020	-	\$ 475,226
Expansion of Water Treatment Plant	June 1996	3,000,000	5.85%	May 2016	-	1,050,000
Expansion of Water Treatment Plant	June 1997	3,000,000	3.22%	May 2017	-	1,200,000
Southwest Water and Sewer District	July 1998	2,683,000	5.30%	November 2011	-	1,129,684
Southwest Regional III	March 2003	1,000,000	4.02%	May 2022	-	684,211
Harnett County Sanitary Sewer Revolving Loan	March 2005	15,000,000	2.21%	May 2027	-	13,500,000
Total Business-type Activities State Bond Loans					\$ -	\$ 18,039,121

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG TERM OBLIGATIONS (continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

	June 30, 2008	Additions	Decreases	June 30, 2009	Due in Less Than One Year
Governmental activities:					
Capitalized leases	\$ 905,925	\$ 215,378	\$ 395,683	\$ 725,620	\$ 227,116
Installment purchase agreements	110,290,619	35,075,000	7,455,072	137,910,547	5,986,756
Premium	2,336,930	656,343	245,325	2,747,948	211,752
Gross debt	113,533,474	35,946,721	8,096,080	141,384,115	6,425,624
Less: Loss on defeasance	(978,450)	-	(185,920)	(792,530)	(185,920)
Total debt	112,555,024	35,946,721	7,910,160	140,591,585	6,239,704
Other long-term liabilities:					
Compensated absences	2,129,018	2,424,906	2,276,120	2,277,804	2,276,120
Law Enforcement Officers' Special Separation Allowance	399,221	42,748	-	441,969	-
Other Post-Employment Benefits	-	1,376,257	-	1,376,257	-
Total	\$ 115,083,263	\$ 39,790,632	\$ 10,186,280	\$ 144,687,615	\$ 8,515,824
Business-type activities					
Capitalized leases	\$ 13,455	\$ (335)	\$ 13,120	\$ -	\$ -
Installment purchase agreements	10,161,918	-	1,091,917	9,070,001	1,149,253
Premium	747,188	-	48,468	698,720	48,470
General obligations	25,417,000	-	826,000	24,591,000	786,000
Revenue Bonds	14,825,000	26,470,000	470,000	40,825,000	930,000
State Bond Loans	18,365,522	960,641	1,287,044	18,039,119	1,287,044
Gross debt	69,530,083	27,430,306	3,736,549	93,223,840	4,200,767
Less: Loss on defeasance	(324,774)	(3,842)	-	(328,616)	(3,842)
Total debt	69,205,309	27,426,464	3,736,549	92,895,224	4,196,925
Other long-term liabilities:					
Accrued landfill closure and postclosure care costs	2,908,106	-	40,232	2,867,874	40,000
Compensated absences	434,615	-	502,421	502,418	502,418
Other Post-Employment Benefits	-	218,818	16,801	202,017	-
Total	\$ 72,548,030	\$ 27,645,282	\$ 4,296,003	\$ 96,467,534	\$ 4,739,343

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG TERM OBLIGATIONS (continued)

The following summarizes the annual debt service requirements to maturity for the County (excluding compensated absences, Law Enforcement Officers' Special Separation Allowance, Other Post-Employment Benefits and accrued landfill closure and postclosure care costs):

	Installment Purchase		General Obligation Bonds		Capitalized Leases		Revenue Bonds		State Bond Loan		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:												
2010	\$ 5,986,756	\$ 6,048,165	\$ -	\$ -	\$ 227,116	\$ 21,778	\$ -	\$ -	\$ -	\$ -	\$ 6,213,872	\$ 6,069,943
2011	6,573,336	5,797,366	-	-	198,731	13,916	-	-	-	-	6,772,067	5,811,282
2012	6,765,876	5,526,212	-	-	151,393	7,553	-	-	-	-	6,917,269	5,533,765
2013	7,110,398	5,239,427	-	-	113,323	3,161	-	-	-	-	7,223,721	5,242,588
2014	7,351,202	4,934,717	-	-	35,057	464	-	-	-	-	7,386,259	4,935,181
2015-2019	41,135,265	19,318,031	-	-	-	-	-	-	-	-	41,135,265	19,318,031
2020-2024	38,636,449	10,595,882	-	-	-	-	-	-	-	-	38,636,449	10,595,882
2025-2029	24,351,265	2,965,169	-	-	-	-	-	-	-	-	24,351,265	2,965,169
	137,910,547	60,424,969	-	-	725,620	46,872	-	-	-	-	138,636,167	60,471,841
Business-type Activities:												
2010	\$ 1,149,253	\$ 378,678	\$ 786,000	\$ 1,122,826	\$ -	\$ -	\$ 930,000	\$ 2,518,252	\$ 1,287,044	\$ 482,093	\$ 4,152,297	\$ 4,501,849
2011	1,061,897	334,117	792,000	1,106,251	-	-	985,000	2,465,993	1,287,044	442,870	4,125,941	4,349,231
2012	1,088,793	289,309	927,000	1,072,733	-	-	1,040,000	2,410,603	1,287,044	403,727	4,342,837	4,176,372
2013	1,132,184	242,836	843,000	1,032,658	-	-	1,090,000	2,357,077	1,287,044	363,989	4,352,228	3,996,560
2014	1,131,379	194,473	705,000	996,191	-	-	1,150,000	2,302,232	1,287,044	324,702	4,273,423	3,817,598
2015-2019	2,360,977	494,718	3,640,000	4,479,839	-	-	6,700,000	10,556,284	5,402,801	1,089,407	18,103,778	16,620,248
2020-2024	636,782	200,334	4,126,000	3,549,088	-	-	8,840,000	8,412,658	3,951,098	511,088	17,553,880	12,673,148
2025-2029	508,736	50,856	2,467,000	1,675,549	-	-	10,740,000	5,356,010	2,250,000	99,225	17,662,236	7,977,984
2030-2034	-	-	1,983,500	1,147,881	-	-	9,350,000	2,113,200	-	-	11,817,000	3,788,749
2035-2039	-	-	2,039,000	717,106	-	-	-	-	-	-	1,983,500	1,147,881
2040-2044	-	-	2,119,000	266,269	-	-	-	-	-	-	2,039,000	717,106
2045-2049	-	-	-	-	-	-	-	-	-	-	2,119,000	266,269
	9,070,001	2,185,321	24,591,000	19,638,264	-	-	40,825,000	38,492,309	18,039,119	3,717,101	92,525,120	64,032,995
	\$ 146,980,548	\$ 62,610,290	\$ 24,591,000	\$ 19,638,264	\$ 725,620	\$ 46,872	\$ 40,825,000	\$ 38,492,309	\$ 18,039,119	\$ 3,717,101	\$ 231,161,287	\$ 124,504,836

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG TERM OBLIGATIONS (continued)

At June 30, 2009, Harnett County had bonds authorized but unissued in the amount of \$32,247,000 for the South Central Water and Sewer District. The County is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the County may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2009, such statutory limit for the County was \$ 455,849,493 providing a legal debt margin of approximately \$290,104,204.

As of June 30, 2009 the County was in compliance with covenants associated with its debt.

Compensated absences typically have been liquidated in the general fund and are accounted for on a last in, first out basis, assuming that employees are taking leave time as it is earned.

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2009, the amount of prior year defeased debt outstanding and removed from the County's liabilities amounted \$4,825,000.

Gains and losses from debt refundings must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to the debt refundings are to be used in determining the carrying value of the new debt issued to finance debt refundings. The carrying value of the certificates of participation and general obligation bonds have been adjusted for the loss from defeasance (net of amortization) of \$792,530 and \$320,932, respectively.

The County has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$15,310,000 in enterprise system revenue bonds issued on May 23, 2007 and \$26,470,000 issued on August 28, 2008. Proceeds from the bonds provided financing for extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the enterprise systems. The bonds are payable solely from water and sewer customer net revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds is \$79,317,307. Principal and interest paid for the current year and total customer revenues were \$2,410,579 and \$26,969,184, respectively.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS

A. Multiple – Employer Plans

Plan Description

Local Governmental Employees' Retirement System

All regular full-time employees participate in the statewide Local Governmental Employee's Retirement System (the "System"), a multiple-employer, cost-sharing, defined benefit pension plan administered by the State of North Carolina. The System provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the NC General Assembly. The System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.78% respectively of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2007, 2008 and 2009 were \$1,329,478, \$1,437,046 and \$1,529,542 respectively. The contributions made by the County equaled the required contributions for each year.

B. Single - Employer Plan

Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The County administers a public employee retirement system (the "Separation Allowance"), a single-employer; defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The separation allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of credible service. The retirement benefits are not subject to any increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS (continued)

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>106</u>
Total	<u>113</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting

The County has chosen to fund the Separation Allowance on a "pay as you go" basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments

No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS (continued)

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contributed	\$ 112,213
Interest on net pension obligation	28,943
Adjustment to annual required	
Contribution	<u>(25,231)</u>
Annual pension cost	115,925
Contributions made	<u>73,177</u>
Increases in net pension obligation	42,748
Net pension obligation beginning of year	<u>399,221</u>
Net pension obligation end of fiscal year	<u>\$ 441,969</u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
6/30/2007	\$ 100,775	75.47%	\$ 369,341
6/30/2008	117,753	74.62%	399,221
6/30/2009	115,925	63.12%	441,969

4. Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$953,625. The covered payroll (annual payroll of active employees covered by the plan) was \$4,133,872 and the ratio of the UAAL to the covered payroll was 23.07%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefit.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The County contributes to the Supplemental Retirement Income Plan ("The Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS (continued)

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month, an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$338,580 which consisted of \$ 224,525 from the County and \$114,055 from the law enforcement officers.

**D. Supplemental Retirement Income Plan
Plan Description**

The County administers a supplemental retirement benefit plan for all of its full-time employees that are not involved with law enforcement, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County will match 100% of the employee deferral up to a maximum employer contribution of 2% of the employee's gross wages. All contributed amounts plus investment earnings allocated to the employee's accounts are fully vested immediately. The County established the plan and may amend it at its discretion. The County contributions for the year ended June 30, 2009, for all permanent full-time employees were \$352,722. Total voluntary contributions by covered employees were \$ 565,641.

E. Registers of Deeds' Supplemental Pension Fund Plan Description

The County also contributes to the Register of Deeds' Supplemental Pension Fund ("The Fund"), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

On a monthly basis, the County remits to the department of State Treasurer, an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2009, the County's required and actual contributions were \$9,229.

F. Other Post-Employment Benefits

At retirement all employees have the option to purchase basic medical insurance at the County's group rate. Under the terms of a County resolution, the County administers a single-employer defined benefit Health Care Benefits (HCB) Plan. This plan provides post-employment healthcare benefits to retirees of

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS (continued)

the County, provided they participate in the North Carolina Local Governmental Employees Retirement System, have at least fifteen years of creditable service with the County, and are actively employed with the County at the time of retirement. The county is self-insured and contracts with a private insurer to provide all administrative services. The entire cost of this insurance is paid by the County for those employees, until age 65, who retire with 30 years of service. Those employees who retire with less than 30 years of service with the County receive benefits on a prorated basis.

Membership of the HCB Plan consisted of the following as December 31, 2007 the date of the latest actuarial valuation:

Retired Members	41
General Employees	585
Law Enforcement Members	156
Total	<u>782</u>

Funding Policy

Currently, active County employees pay a monthly premium for the HCB Plan. Retirees not eligible for Medicare are enrolled in the same plan as active County employees. Retirees may be eligible to participate in the County's Group Health Plan until they reach age 65 or become Medicare eligible. At age 65, or Medicare eligible, retirees may then receive reimbursement up to the \$200 monthly maximum for their individual Medicare Supplement. The Board of Commissioners has established the contribution requirements of the plan and may amend the plan. The County has chosen to fund the healthcare benefits on a pay as you go basis. For the fiscal year ended June 30, 2009, the County made payments for post-retirement health benefit premiums of \$178,055. The current annual required contribution (ARC) rate is 6.07% of annual covered payroll. For the current year the County contributed \$178,055 or 0.0067% of annual covered payroll.

Summary of Significant Accounting Policies

Postemployment expenditures are made from the Group Health Insurance Fund which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in the accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS (continued)

Annual required contribution	\$ 1,756,329
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,756,329</u>
Contributions made	<u>(178,055)</u>
Increase (decrease) in net OPEB obligation	1,578,274
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 1,578,274</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009:

For Year Ended	Annual OPEB	Percentage of Annual	Net OPEB
<u>June 30</u>	<u>Cost</u>	<u>OPEB Cost Contributed</u>	<u>Obligation</u>
2009	\$1,756,329	10.14%	\$1,578,274

Funding Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$15,836,928. The covered payroll (annual payroll of active employees covered by the plan) was \$28,925,039 and the ratio of the UAAL to the covered payroll was 54.75%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. Costs were determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is the present value of the portion of the projected benefit attributable to participation service during the upcoming year, and the accumulated postretirement benefit obligation (APBO) is equal to the present value of the portion. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of the short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLAN OBLIGATIONS (continued)

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.00% - 5.00% annually. Both rates included a 3.75% inflation assumption. The actuarial value of the assets, if any, was determined using techniques that spread the effects of short term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 30 years.

G. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. The employee's beneficiary will receive a lump sum payment equal to the employee's highest twelve (12) month's consecutive salary during the preceding twenty-four (24) months, but no less than \$25,000 and not to exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no Liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the County made contributions to the State for death benefits of \$30,407. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

NOTE 12 - CLOSURE AND POSTCLOSURE CARE COSTS - DUNN-ERWIN SOLID WASTE LANDFILL

State and federal laws and regulations require the County to place a final cover on its Dunn-Erwin Solid Waste Landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date. Expenditures of \$40,232 have been applied to the liability during the current fiscal year. The \$2,867,874 post closure care liability at June 30, 2009 represents a cumulative amount reported to date based on the use of 100% of the total estimated capacity of the landfill. The County closed the Dunn-Erwin Solid Waste Landfill on January 1, 1998. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Commitments

The County had Commitments under uncompleted construction contracts in the Enterprises Fund Totaling \$45,884,441 and in the Governmental Funds totaling \$31,137,652 at June 30, 2009.

Arbitrage

The arbitrage rebate payments are due on the fifth anniversary of the bond issue date. It is management's belief that the County's future rebate liability, if any, will be immaterial and therefore, no liability has been recorded. The County reviews its potential liability for the penalty annually. It is management's belief that no additional arbitrage rebate will be payable.

Claims and Judgments

At June 30, 2009, the County was a defendant in various lawsuits. In the opinion of the County's management and the County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position.

Federal and State Assisted Programs

The County has received proceeds from several federal and state awards. Periodic audits of these awards are required and certain costs may be questioned as not being appropriate expenditures under the award agreements. Such audits could result in the refund of award monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of award monies.

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 14 – TRANSFERS TO/FROM OTHER FUNDS

Transfers in (out) for the year ended June 30, 2009 are summarized below:

	Transfers out:						Total
	General Fund	Law Enforcement Expansion	Angier Elementary	Nonmajor Governmental	Solid Waste	Public Utility	
Transfers in:							
General fund	\$ -	\$ 781,061	\$ 377,232	\$ 3,163,625	\$ -	\$ 300,000	\$ 4,621,918
Nonmajor capital project funds							
Airport Airfield Improvements 100	16,667	-	-	-	-	-	16,667
Barbecue Creek Park	250,000	-	-	-	-	-	250,000
Housing Preservation	20,000	-	-	-	-	-	20,000
Nonmajor Special Revenue Funds							
Abandoned Manufactured Home	-	-	-	-	71,151	-	71,151
Worker's Compensation	939,246	-	-	435	8,463	59,649	1,007,794
Public Utilities	-	-	-	-	-	-	-
Enterprise Projects	-	-	-	-	-	3,825,813	3,825,813
Total Transfers out	\$ 1,225,913	\$ 781,061	\$ 377,232	\$ 3,164,060	\$ 79,614	\$ 4,185,462	\$ 9,813,343

Transfers between the major funds and other nonmajor governmental were primarily to support the capital projects, the debt service within the districts and the operations of the funds.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 15 - JOINT VENTURES

The County, in conjunction with seven other counties, participates in the Sandhills Center for Mental Health, Developmental Disabilities & Substance Abuse Services, an Area Authority/Local Management Entity. Harnett County appoints four members to the 26-member board. The Authority is a joint venture established to provide the participating counties with legally mandated mental health services. The County has an ongoing financial responsibility for the Authority because the Authority's continued existence depends on the participating governments' continued funding. The County contributed \$199,679 to the Authority during the fiscal year ended June 30, 2009. Neither of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2009. Complete financial statements for the Sandhills Center can be obtained from their administrative office at 1120 Seven Lakes Drive or P.O. Box 9, West End, North Carolina 27376.

The County, in conjunction with the State of North Carolina, Lee County, Chatham County and the Lee County Board of Education, participates in a joint venture to operate Central Carolina Community College. The County appoints two members of the 17-member board of trustees of the community college. The president of the community college's student government association serves as a non-voting, ex officio member of the board of trustees.

The County has the basic responsibility for providing funding for the Harnett County facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's Harnett County facilities. The County contributed \$626,109 to the community college for operating purposes during the fiscal year ended June 30, 2009. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2009. Complete financial statements for the community college may be obtained from the community college's administrative offices at 1105 Kelly Drive, Sanford, North Carolina 27330.

The County, in conjunction with the City of Dunn and the Dunn Area Chamber of Commerce, participates in the Avasboro Township Tourism Development Authority. The Authority is a joint venture established to receive the net proceeds of the room occupancy and tourism development tax levied in Avasboro Township in Harnett County. The Authority may spend these proceeds to develop, promote, and advertise travel and tourism in Avasboro Township, to sponsor tourist-oriented events and activities for Avasboro Township, to operate and maintain museums and historic sites throughout Avasboro Township, and to purchase, operate, and maintain a convention facility for Avasboro Township. The County appoints two members to the seven-member board. The County has an ongoing financial responsibility for the Authority because the Authority's continued existence depends on the participating governments' continued funding. The County remitted \$375,379 to the Authority during the fiscal year ended June 30, 2009. Neither of the participants has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2009. Complete financial statements for the Authority can be obtained from the Dunn Area Chamber of Commerce at 209 West Divine Street, Post Office Box 548, and Dunn, North Carolina 28335.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with two other counties and twenty municipalities, established the Mid-Carolina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$18,660 to the Council during fiscal year ended June 30, 2009.

HARNETT COUNTY, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

NOTE 17 - BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the state from federal and state monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the state. These amounts disclose this additional aid to County recipients, which do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Medicaid Assistance Programs - Medicaid Title XIX	\$ 78,416,366	\$ 30,692,372
Food Stamps	17,962,348	-
Aid to Families with Dependent Children	(4,041)	(1,108)
Temporary Assistance for Needy Families	709,162	(749)
Special Assistance to Adults	-	1,016,259
Low Income Home Energy Assistance	1,061,291	-
Child Welfare Services - Adoptive Subsidy	6,528	425,161
Title IV-E Foster Care	306,676	67,007
Title IV-E Adoption Subsidy	756,113	143,413
Refugee and Entrant Assistance	543	-
Special Supplemental Food Program for Women, Infants and Children	2,628,532	-
Total	\$ 101,843,518	\$ 32,342,355

NOTE 18 - SUBSEQUENT EVENTS

The County has committed to a use agreement between the County and Campbell University for the use of a new Convocation Center for user fee of \$150,000 a year over a period of seven years for a total of \$1,050,000.

Prior Period Adjustment

During the fiscal year ended June 30, 2009, the County determined that emergency medical services revenues that were recorded in the general fund had not been accounted for under the modified accrual basis of accounting as of June 30, 2008. An adjustment of \$1,629,110 was recorded to beginning fund balance to account for the effect of the correction in the basis of accounting, the net effect of which decreased beginning fund balance by that amount. This adjustment had no effect on governmental activities.

	<u>General Fund</u>
Fund Balance, beginning of year	\$ 24,976,919
Prior Period Adjustment	1,629,110
Fund Balance, beginning of year, as restated	<u>\$ 23,347,809</u>

HARNETT COUNTY, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

NOTE 19 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2009, the following individual funds had a deficit in fund equity:

Special Revenue Funds:	
Section 8 Housing Fund	\$ (61,625)
Special Districts Fund	(17,528)
Land Acquisition & Runway Safety Fund	(51)

The deficit occurred because of the timing of payments Management intends to appropriate funds as necessary to cover deficit fund balance.