**JOHNSTON COUNTY**

# JOHNSTON COUNTY

Presentation of Audit Results

Fiscal Year Ended
June 30, 2022

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

**Alan W. Thompson, CPA**
**1626 S Madison Street**
**PO Box 398**
**Whiteville, NC  28472**
**910.642.2109 phone**
**910.642.5958 fax**
www.tpsacpas.com

# JOHNSTON COUNTY

## Presentation Agenda


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CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

***Thompson, Price, Scott, Adams & Co, P.A.***
P.O. Box 398
1626 S Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958

Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA

January 24, 2022

To the Board of Commissioners
County of Johnston
Smithfield, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Johnston for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2022. Professional standards also required that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Johnston are described in Note 1 to the financial statements. The County adopted GASB 87 “Leases,” effective for fiscal year ended June 30, 2022. We noted no transactions entered into by the County of Johnston during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimate(s) or assumptions noted during the audit.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. There are no such disclosures identified.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were not material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representation*

We have requested certain representations from management that are included in the management representation letter dated January 24, 2023.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Auditing Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Johnston's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Please ensure that the custodial activity is properly presented in the trial balance as required by GASB 84.

The County has issued a significant number of P-cards to employees. Although this seems like a convenient way to conduct business, there are increased risks associated with the use of P-cards (i.e. personal use, etc). Based on our review, the finance staff spends a significant amount of time each month reconciling the P-card transactions. The County should consider if the savings generated by the use of P-cards outweigh the risk and the amount of time spent by finance each month to reconcile these transactions.

Findings were noted in our compliance testing. See the findings in the audit report [2022-002, 2022-003, 2022-004, and 2022-005] for more details.

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board. The County is required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager. The indicators that the County has to address to the LGC are corrective action plans for (1) the audit report being submitted after the original deadline, and (2) prior period adjustments that were required (refer to finding 2022-001).

Other Matters

We applied certain limited procedures to the Schedule of County's Proportionate Share of Net Pension Liability (LGERS), Schedule of County Contributions (LGERS), Schedule of County's Proportionate Share of Net Pension Asset (ROD), Schedule of County Contributions (ROD), Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special Separation Allowance, and Schedule of Changes in Total OPEB Liability and Related Ratios, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund statement schedules, budgetary schedules, and other schedules, and the schedule of expenditures of federal and State awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Please ensure that management and the Board is aware of the new GASB pronouncements for the upcoming fiscal year. Be especially mindful of GASB No.96: *Subscription-Based Information Technology Arrangements*, as the implementation of this standard may take a significant amount of time and resources to gather the necessary information. If the proper resources are not allotted for the implementation of this standard, this could potentially cause a significant delay in the completion of the upcoming audit.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of the County of Johnston and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.

# JOHNSTON COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total Fund Balance - General Fund | 212,520,203 | 171,023,084 | 117,061,203 | 84,084,063 | 73,721,039 |
| Unavailable Fund Balance - Nonspendable and Stabilization by State Statute | 30,222,461 | 35,390,545 | 21,138,424 | 19,499,334 | 19,059,890 |
| Other Restricted, Committed and Assigned Fund | 18,782,795 | 6,090,943 | 9,689,623 | 9,183,619 | 9,319,275 |
| General Fund Expenditures (including Transfers out less loan or lease proceeds) | 306,281,474 | 245,642,231 | 235,664,183 | 221,760,611 | 216,190,758 |
| Fund Balance Available as % of General Fund | 59.52% | 55.22% | 40.70% | 29.12% | 25.28% |
| Revenue over (under) expenditures before transfers and contributions | | | | | |
| General Fund | 44,728,678 | 57,957,228 | 37,580,259 | 16,722,412 | 11,892,005 |
| Water Fund | 904,612 | 779,431 | 1,422,592 | 3,040,822 | (1,113,274) |
| Wastewater Treatment Fund | 3,134,778 | 6,179,130 | 3,924,024 | 6,675,819 | 8,921,081 |
| Water District Operating Fund | 6,024,813 | (1,537,980) | 3,575,319 | 4,049,095 | 3,531,709 |
| Solid Waste Fund | (299,419) | (779,469) | 1,488,644 | 3,057,772 | (1,498,791) |
| | | | | | |
| Cash vs. Accumulated Depreciation - Enterprise Funds (excluding Section 8 Housing) | | | | | |
| Total Fixed Assets | 505,528,517 | 451,234,400 | 416,730,587 | 368,202,825 | 356,823,388 |
| Accumulated Depreciation | 186,571,234 | 177,454,786 | 168,656,898 | 157,972,168 | 150,035,613 |
| Cash | 142,964,909 | 95,132,206 | 80,582,224 | 69,849,661 | 56,562,071 |
| | | | | | |
| Cash vs. Fund Balance | | | | | |
| Cash - General | 189,417,533 | 153,943,492 | 101,105,712 | 68,834,886 | 58,288,747 |
| Investment Earnings - General | 315,841 | 49,810 | 818,558 | 1,080,784 | 528,570 |
| Cash - School Bond Fund | 16,464,289 | 37,627,437 | 25,737,119 | 24,370,815 | 12,843,030 |
| Investment Earnings - School Bond | 29,686 | 3,822 | 237,695 | 174,838 | 340,391 |
| Cash - ARPA Coronavirus Fund | 40,699,910 | 20,330,829 | - | - | - |
| Investment Earnings - ARPA | 38,258 | 5 | - | - | - |
| Cash - Water Fund | 33,255,972 | 21,287,369 | 19,071,464 | 14,304,040 | 7,191,461 |
| Investment Earnings - Water ** | 1,181,657 | 963,184 | 2,434,386 | 2,462,943 | 2,583,890 |
| Cash - Wastewater Fund | 56,561,544 | 31,246,473 | 27,463,981 | 25,427,235 | 20,828,374 |
| Investment Earnings - Wastewater | 68,296 | 10,374 | 157,194 | 20,292 | 11,366 |
| Cash - Water District Operating Fund | 38,624,671 | 30,074,426 | 18,331,468 | 13,804,445 | 14,592,773 |
| Investment Earnings - Water Districts | 31,571 | 11,177 | 90,233 | 29,284 | 21,342 |
| Cash - Solid Waste | 14,522,722 | 12,523,938 | 15,715,311 | 16,313,941 | 13,949,463 |
| Investment Earnings - Solid Waste | 3,674 | 4,982 | 166,783 | 134,660 | 69,562 |
| Cash - Other Governmental | 24,066,892 | 31,364,894 | 9,938,856 | 10,132,498 | 8,977,687 |
| Investment Earnings - Other Govt | 16,931 | 3,822 | - | - | - |
| | | | | | |
| Fund Balance - General | 212,520,203 | 171,023,084 | 117,061,203 | 84,084,063 | 73,721,039 |
| Fund Balance - School Bond Fund | 16,268,439 | 37,044,421 | 24,185,536 | - | - |
| Fund Balance - ARPA Fund | 38,263 | 5 | - | - | - |
| Fund Balance - Water Fund | 48,255,434 | 44,151,559 | 40,793,462 | 36,513,730 | 31,609,461 |
| Fund Balance - Wastewater Fund | 91,626,480 | 83,928,848 | 70,338,986 | 46,460,329 | 39,784,510 |
| Fund Balance - Water District Operating Fund | 76,972,962 | 63,603,145 | 50,139,546 | 35,726,270 | 33,540,622 |
| Fund Balance - Solid Waste | 10,708,786 | 9,608,205 | 9,499,331 | 7,610,687 | 4,152,915 |
| Fund Balance - Other Governmental Funds | 23,240,622 | 31,298,735 | 10,058,964 | 33,901,240 | 20,888,370 |
| | | | | | |
| Property Tax Rates | 0.730 | 0.760 | 0.760 | 0.780 | 0.780 |
| | | | | | |
| Collection Percentages | 99.90% | 99.80% | 99.49% | 99.89% | 99.91% |
| | | | | | |
| Collection Percentages (excluding Motor Vehicle) | 99.88% | 99.77% | 99.43% | 99.88% | 99.90% |
| | | | | | |
| Total Property Valuation | 24,147,086,319 | 22,302,968,289 | 20,816,104,511 | 17,065,471,825 | 16,415,455,483 |
| | | | | | |
| Total Levy Amount | 176,390,965 | 169,692,259 | 158,307,966 | 133,224,309 | 128,156,973 |

# JOHNSTON COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Debt Analysis (excluding Compensated Absences and OPEB) | | | | | |
| Governmental - General Obligation (County) | 2,559,304 | 1,603,292 | 5,147,300 | 5,298,220 | 5,447,277 |
| Governmental - General Obligation (School) | 221,279,752 | 249,337,377 | 209,052,700 | 211,766,780 | 214,077,723 |
| Governmental - LOBs (County) | 55,606,100 | 41,711,080 | - | - | - |
| Governmental - LOBs (School) | 35,552,919 | 38,848,785 | 43,165,000 | 47,546,000 | 51,804,000 |
| Governmental - Installment Purchases (non-school) | - | - | - | 300,000 | 1,034,862 |
| Governmental - Leases (GASB 87) | 1,215,691 | - | - | - | - |
| Total Governmental Debt | 316,213,766 | 331,500,534 | 257,365,000 | 264,911,000 | 272,363,862 |
| Business-type - General Obligation | 44,725,000 | 47,095,000 | 43,080,000 | 44,455,000 | 45,765,000 |
| Business-type - Limited Obligation** | 74,985,000 | 83,751,649 | 55,990,000 | 58,240,000 | 60,410,000 |
| Business-type - Installment Purchase | 10,375,000 | 10,855,000 | 10,030,053 | 10,281,858 | 10,522,298 |
| Business-type - Clean Water Loans | 52,476,454 | 34,296,639 | 39,980,376 | 34,290,533 | 34,372,903 |
| Business-type - Other Notes Payable | - | 27,534 | 30,035 | 32,441 | 34,754 |
| Business-type - Revenue Bonds | 50,070,000 | - | 5,983,398 | 6,095,398 | 6,203,398 |
| Business-type - Leases (GASB 87) | 208,505 | - | - | - | - |
| Total Business-type | 232,839,959 | 176,025,822 | 155,093,862 | 153,395,230 | 157,308,353 |
| Total Debt Outstanding (excluding Compensated Absences and OPEB) | 549,053,725 | 507,526,356 | 412,458,862 | 418,306,230 | 429,672,215 |
| | | | | | |
| Breakdown of General Fund Revenues | | | | | |
| Ad Valorem Taxes | 176,185,135 | 169,864,108 | 157,426,775 | 132,934,340 | 128,168,877 |
| Other Taxes, License & Permits | 71,285,288 | 59,736,030 | 64,765,078 | 59,671,640 | 52,325,805 |
| Intergovernment Revenue | 40,056,354 | 35,324,740 | 31,718,905 | 26,969,098 | 32,504,108 |
| Sales and Services | 33,870,503 | 30,978,703 | 10,193,093 | 11,160,120 | 7,266,698 |
| Investment Earnings | 315,841 | 49,810 | 818,558 | 1,080,784 | 516,518 |
| Miscellaneous | 386,212 | 225,408 | 163,429 | 307,653 | 470,347 |
| Total | 322,099,333 | 296,178,799 | 265,085,838 | 232,123,635 | 221,252,353 |
| | | | | | |
| Breakdown of General Fund Expenditures | | | | | |
| General Government | 28,197,216 | 25,834,646 | 19,278,089 | 19,236,316 | 19,060,351 |
| Public Safety | 53,256,540 | 46,373,172 | 46,132,982 | 43,892,156 | 39,936,410 |
| Economic and Physical Development | 16,719,671 | 5,672,648 | 4,181,666 | 3,608,090 | 3,104,664 |
| Human Services | 47,365,662 | 42,971,403 | 41,458,784 | 40,019,379 | 41,338,628 |
| Cultural & Recreational | 720,000 | 670,870 | 551,000 | 480,500 | 456,000 |
| Education | 89,772,176 | 78,050,000 | 78,271,773 | 70,160,277 | 66,194,562 |
| Debt Service | 41,339,390 | 38,648,832 | 37,631,285 | 38,004,505 | 38,511,318 |
| Total | 277,370,655 | 238,221,571 | 227,505,579 | 215,401,223 | 208,601,933 |

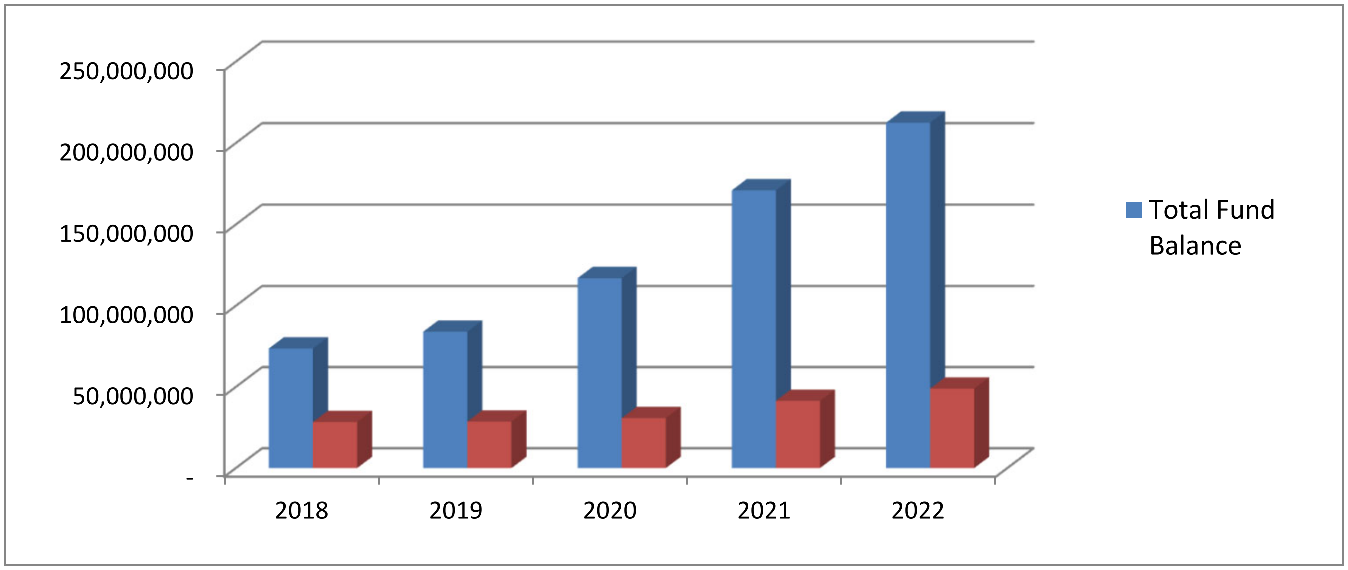
** Limited Obligation Bonds were issued during FY 2014. These bonds were refunded in FY 2021. There were two bonds recorded on the books as a result of limited obligation transactions, which decreased to one bond after the refunding in 2021. The debt is recorded in the water districts fund as general obligation or clean water loans. These debt amounts are payable to the Water Fund to cover the payments owed for the Limited Obligation Bonds. In addition to the LOBS creating the increase in debt, they also result in a substantial increase in investment income in the Water Fund. When debt service payments are made from the Water Districts to the Water Fund for LOB payments, the interest is recorded as investment income.

For the sake of comparison, we have removed the Limited Obligation Bonds to determine the total debt service requirements for the Business-type activities as follows:

| | | | | | |
|---|---|---|---|---|---|
| Total Business-type Debt | 232,839,959 | 176,025,822 | 155,093,862 | 153,395,230 | 157,308,353 |
| Less amount for Limited Obligation Bonds | (55,100,000) | (57,950,000) | (55,990,000) | (58,240,000) | (60,410,000) |
| Total Business-type Debt (excl LOBs) | 177,739,959 | 118,075,822 | 99,103,862 | 95,155,230 | 96,898,353 |

## JOHNSTON COUNTY

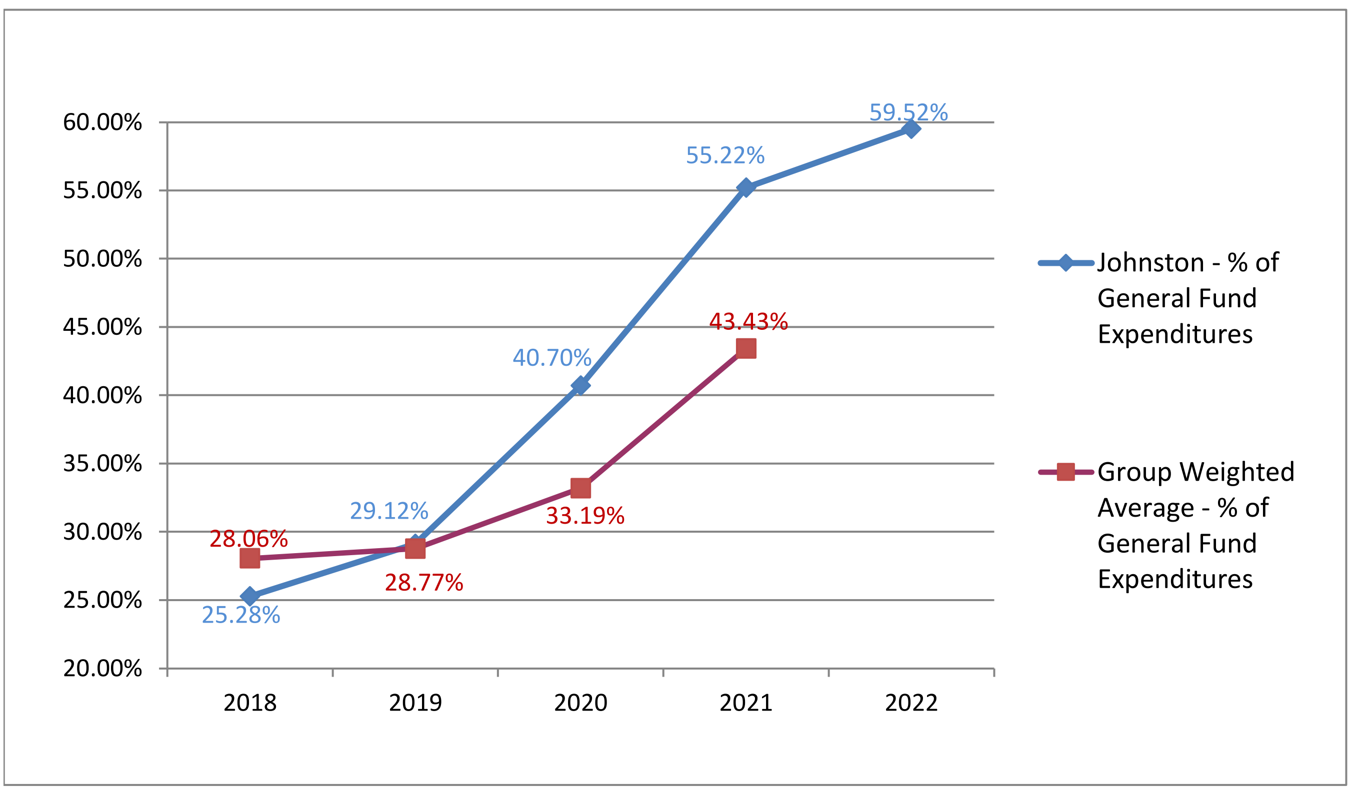
**Analysis of Fund Balance**




## JOHNSTON COUNTY

**Analysis of Fund Balance Available**

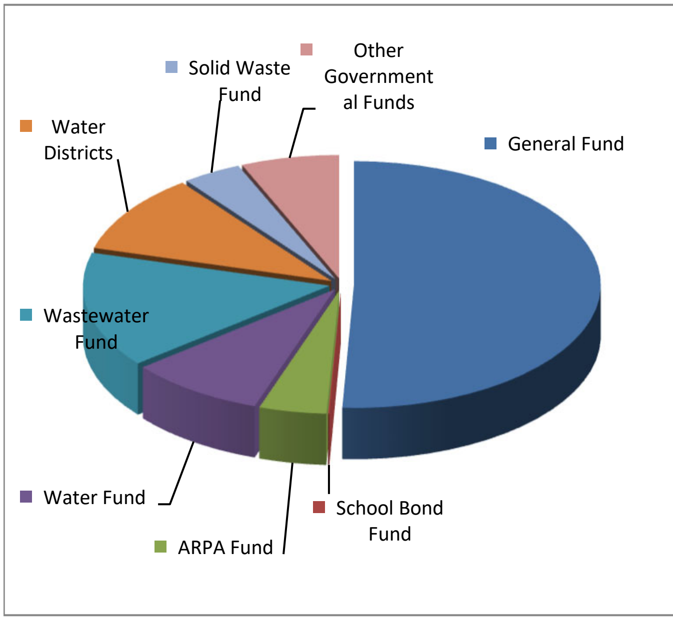
(Note - 2022 Group Weighted Average Not Available at Date of Presentation)



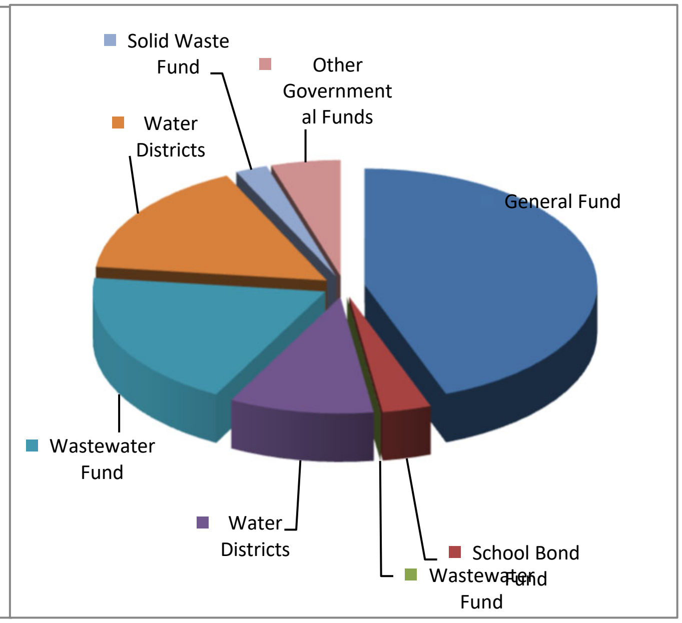
# JOHNSTON COUNTY

## Analysis of Cash and Fund Balances
## at June 30, 2022

**CASH BALANCES**




**FUND BALANCES**

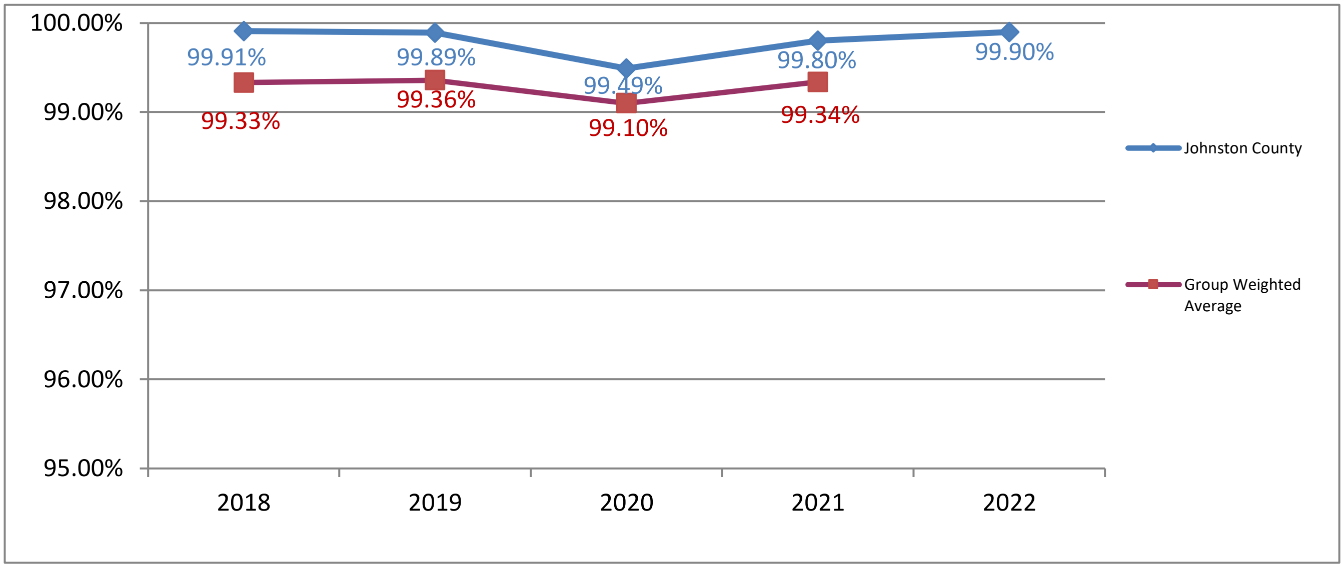



| | 2022 | |
|---|---|---|
| | Cash Balances | Fund Balances |
| General Fund | $ 189,417,533 | $ 212,520,203 |
| School Bond Fund | 16,464,289 | 16,268,439 |
| ARPA Fund | 40,699,910 | 38,263 |
| Water Fund | 33,255,972 | 48,255,434 |
| Wastewater Fund | 56,561,544 | 91,626,480 |
| Water Districts Operating Fund | 38,624,671 | 76,972,962 |
| Solid Waste Fund | 14,522,722 | 10,708,786 |
| Other Governmental Funds | 24,066,892 | 23,240,622 |
| Total | $ 413,613,533 | $ 479,631,189 |

# JOHNSTON COUNTY

**Collection Percentages**

(Note - 2022 Group Weighted Average Not Available at Date of Presentation)

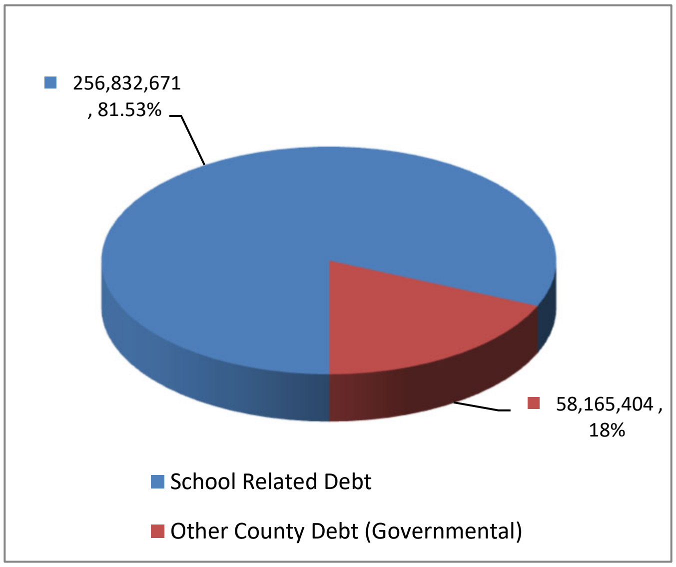


# JOHNSTON COUNTY

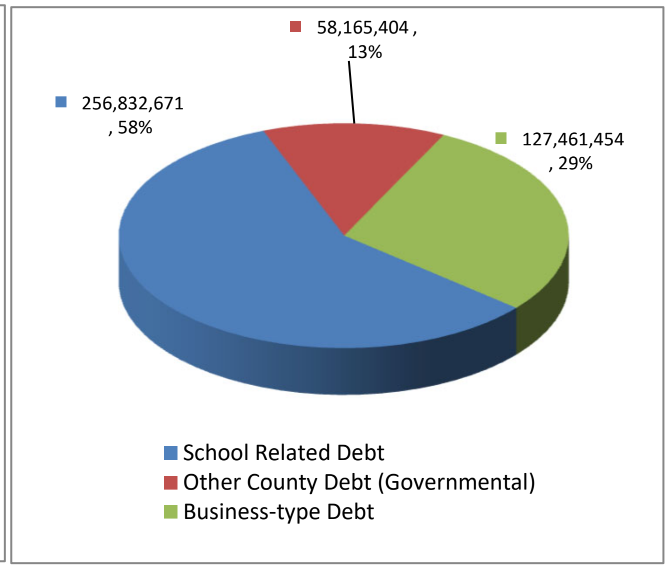
**Debt Analysis (excluding Compensated Absences and OPEB)**

**FYE June 30, 2022**

**School Debt as % of Total Governmental Debt**



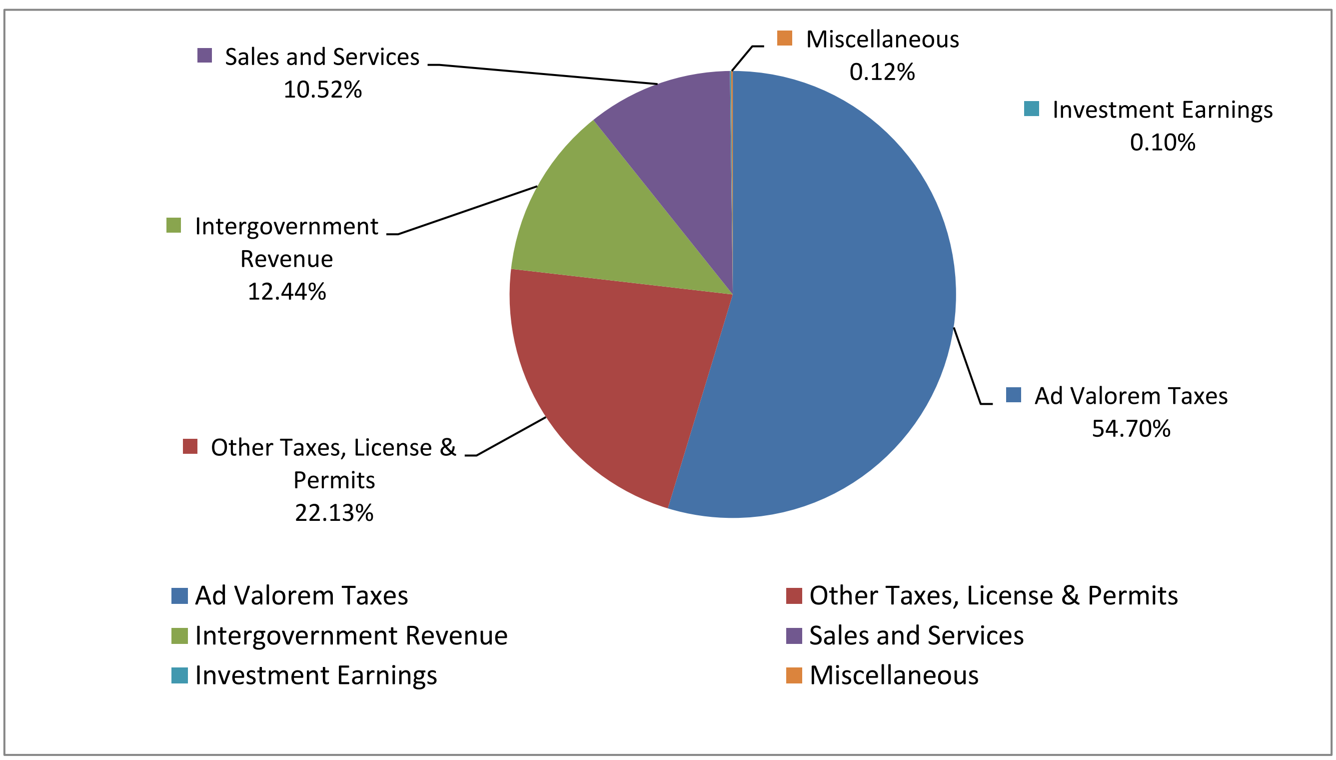

**School Debt as % of Total Debt**




# JOHNSTON COUNTY

**Break Down of General Fund Revenue**

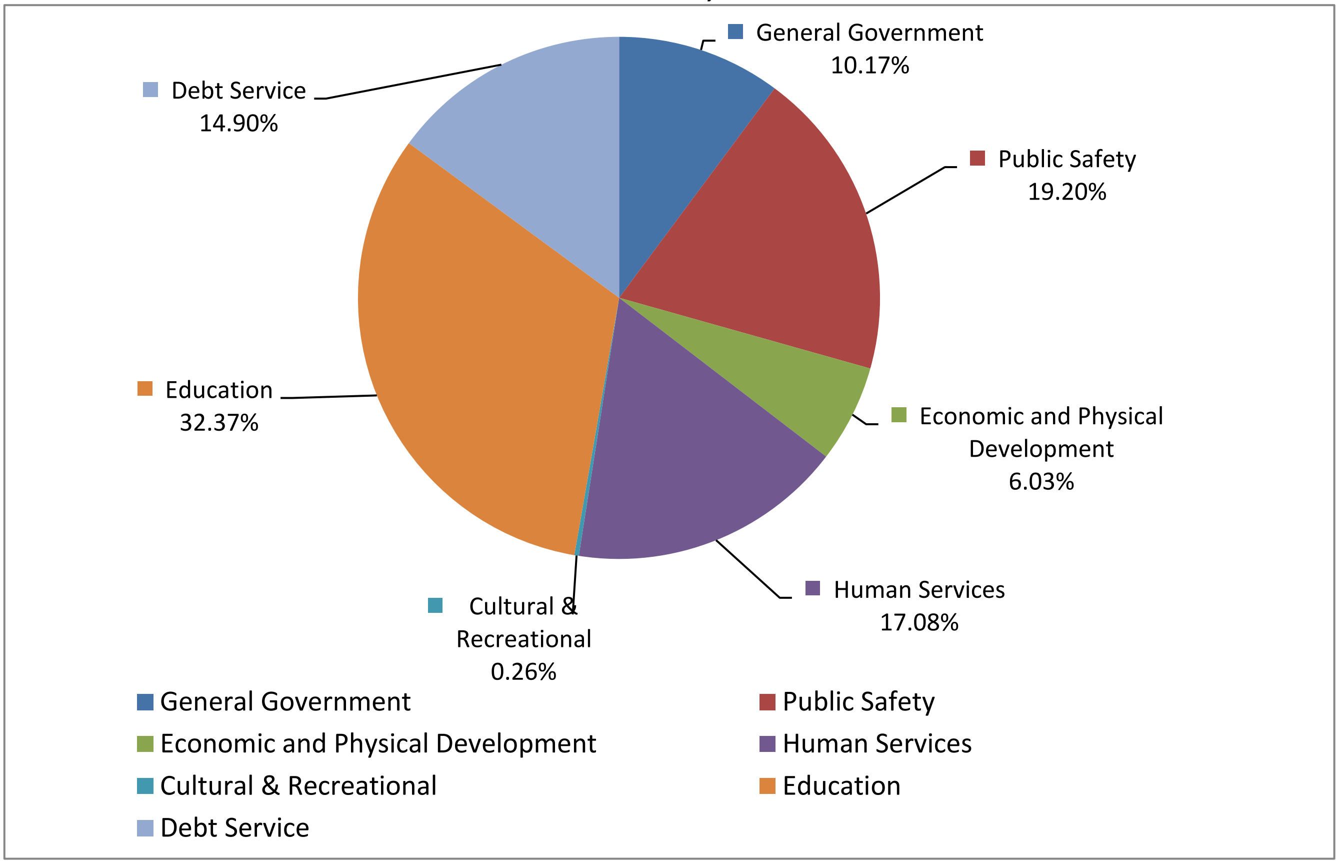
**FYE June 30, 2022**



# JOHNSTON COUNTY

## Break Down of General Fund Expenditures

## FYE June 30, 2022



## ADDITIONAL REQUIRED COMMUNICATIONS

Changes to the Audit Process

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board.

You are required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager.

The following are the items that have to be addressed by responding directly to the LGC with a corrective action plan.

| | | | | |
|---|---|---|---|---|
| **The 2022 Audit Report is expected to be submitted within five months plus one day from the fiscal year end per the auditor. (December 1st for most units)** | No | 5 months plus one day after the fiscal year end | No | As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner. External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about your local government as well. |

Finding 2022-01 Prior Period Adjustment

Condition: The County recorded a prior period adjustment in the Housing Authority (HAPP) fund to reflect receipt of funds for prior years from the County of Wake, which resulted in an increase in net position of the HAPP Fund of $59,862. Additionally, a prior period adjustment was recorded in governmental activities to correct beginning construction in process balances of the Public Safety project fund, which resulted in a decrease in net position of $822,723. This adjustment was as a result of a transfer being capitalized as project expenses.