JOHNSTON
COUNTY

JOHNSTON COUNTY

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1746

Presentation of Audit Results

Fiscal Year Ended
June 30, 2024

TPSA

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

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JOHNSTON COUNTY

Presentation Agenda

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CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

January 17, 2025

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, 2024. 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 24, 2024. 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 100 "Accounting Changes and Error Corrections," effective for fiscal year ended June 30, 2024. 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 17, 2025.

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.

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.

When performing the audit of the County's utility testing, it was discovered that the utility account cutoff is inconsistent. It was noted that nonpayment penalties and utility cutoffs were not appropriately collected nor enforced. This was discussed with Utility personnel to ensure that the County is aware of the inconsistencies and the need to review their policies and adjust accordingly if necessary.

Findings were noted in our compliance testing. See the findings in the audit report [2024-001, 2024-002, and 2024-003, 2024-004, and 2024-005] 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 County has one item to respond to concerning the timeliness of the audit report submission.

<u>Other Matters</u>

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.101: *Compensated Absences*, 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.

<u>Restriction on Use</u>

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

	2024	2023	2022	2021	2020
Total Fund Balance - General Fund	269,039,469	241,676,492	212,520,203	171,023,084	117,061,203
Unavailable Fund Balance - Nonspendable and Stabilization by State Statute	30,589,731	29,473,257	30,222,461	35,390,545	21,138,424
Other Restricted, Committed and Assigned Fund	36,436,263	24,308,405	18,782,795	6,090,943	9,689,623
General Fund Expenditures (including Transfers out less loan or lease proceeds)	332,250,271	310,745,272	306,281,474	245,642,231	235,664,183
Fund Balance Available as % of General Fund	71.77%	68.29%	59.52%	55.22%	40.70%
Revenue over (under) expenditures before transfers and contributions					
General Fund	29,834,452	42,199,333	44,728,678	57,957,228	37,580,259
Water Fund	3,050,166	914,490	904,612	779,431	1,422,592
Wastewater Treatment Fund	3,880,932	5,176,919	3,134,778	6,179,130	3,924,024
Water District Operating Fund	8,105,297	7,175,060	6,024,813	(1,537,980)	3,575,319
Solid Waste Fund	535,960	36,123	(299,419)	(779,469)	1,488,644
Cash vs. Accumulated Depreciation - Enterprise Funds (excluding Section 8 Housing)					
Total Fixed Assets	737,878,654	594,006,068	505,528,517	451,234,400	416,730,587
Accumulated Depreciation	207,358,542	196,961,091	186,571,234	177,454,786	168,656,898
Cash	191,163,580	113,682,616	142,964,909	95,132,206	80,582,224
Cash vs. Fund Balance					
Cash - General	247,867,402	223,386,645	189,417,533	153,943,492	101,105,712
Investment Earnings - General	12,829,794	7,755,348	315,841	49,810	818,558
Cash - School Bond Fund	15,792,705	8,796,853	16,464,289	37,627,437	25,737,119
Investment Earnings - School Bond	1,096,694	461,778	29,686	3,822	237,695
Cash - ARPA Coronavirus Fund	18,687,859	42,071,967	40,699,910	20,330,829	-
Investment Earnings - ARPA	1,759,941	1,523,985	38,258	5	-
Cash - Water Fund	100,130,309	35,992,072	33,255,972	21,287,369	19,071,464
Investment Earnings - Water **	5,172,984	1,725,193	1,181,657	963,184	2,434,386
Cash - Wastewater Fund	37,939,932	25,695,728	56,561,544	31,246,473	27,463,981
Investment Earnings - Wastewater	1,062,303	1,085,333	68,296	10,374	157,194
Cash - Water District Operating Fund	46,130,808	40,071,142	38,624,671	30,074,426	18,331,468
Investment Earnings - Water Districts	1,020,146	608,266	31,571	11,177	90,233
Cash - Solid Waste	6,962,531	11,923,674	14,522,722	12,523,938	15,715,311
Investment Earnings - Solid Waste	71,787	29,485	3,674	4,982	166,783
Cash - Other Governmental	18,458,118	17,450,969	24,066,892	31,364,894	9,938,856
Investment Earnings - Other Govt	6,167	163,830	16,931	3,822	-
Fund Balance - General	269,039,469	241,676,492	212,520,203	171,023,084	117,061,203
Fund Balance - School Bond Fund	9,980,225	7,527,003	16,268,439	37,044,421	24,185,536
Fund Balance - ARPA Fund	3,322,189	1,562,248	38,263	5	-
Fund Balance - Water Fund	72,616,225	59,426,062	48,255,434	44,151,559	40,793,462
Fund Balance - Wastewater Fund	136,120,979	100,680,094	91,626,480	83,928,848	70,338,986
Fund Balance - Water District Operating Fund	94,860,959	82,195,715	76,972,962	63,603,145	50,139,546
Fund Balance - Solid Waste	11,780,869	11,244,909	10,708,786	9,608,205	9,499,331
Fund Balance - Other Governmental Funds	15,919,989	15,249,191	23,240,622	31,298,735	10,058,964
Property Tax Rates	0.690	0.730	0.730	0.760	0.760
Collection Percentages	99.92%	99.94%	99.90%	99.80%	99.49%
Collection Percentages (excluding Motor Vehicle)	99.91%	99.93%	99.88%	99.77%	99.43%
Total Property Valuation	27,693,627,514	26,050,397,639	24,147,086,319	22,302,968,289	20,816,104,511
Total Levy Amount	191,279,272	190,287,418	176,390,965	169,692,259	158,307,966

JOHNSTON COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

	2024	2023	2022	2021	2020
Debt Analysis (excluding Compensated Absences and OPEB)					
Governmental - General Obligation (County)	757,534	948,964	2,559,304	1,603,292	5,147,300
Governmental - General Obligation (School)	201,880,550	196,117,063	221,279,752	249,337,377	209,052,700
Governmental - LOBs (County)	49,527,138	53,001,119	55,606,100	41,711,080	-
Governmental - LOBs (School)	27,213,971	31,634,924	35,552,919	38,848,785	43,165,000
Governmental - Leases & SBITAs (GASB 87 & 96)	1,579,427	1,757,564	1,215,691	-	-
Total Governmental Debt	280,958,620	283,459,634	316,213,766	331,500,534	257,365,000
Business-type - General Obligation	39,725,000	42,290,000	44,725,000	47,095,000	43,080,000
Business-type - Limited Obligation**	64,605,000	69,675,000	74,985,000	83,751,649	55,990,000
Business-type - Unamortized Prem/Disct	6,733,061	3,431,158	3,804,931	3,516,649	3,105,610
Business-type - Installment Purchase	9,245,000	9,830,000	10,375,000	10,855,000	10,030,053
Business-type - Clean Water Loans	135,240,412	81,669,662	52,476,454	34,296,639	39,980,376
Business-type - Other Notes Payable	-	-	-	27,534	30,035
Business-type - Revenue Bonds	130,315,000	50,070,000	50,070,000	-	5,983,398
Business-type - Leases & SBITAs (GASB 87 &	340,841	405,573	208,505	-	-
Total Business-type	386,204,314	257,371,393	232,839,959	179,542,471	158,199,472
Total Debt Outstanding (excluding Compensated Absences and OPEB)	667,162,934	540,831,027	549,053,725	511,043,005	415,564,472
Breakdown of General Fund Revenues					
Ad Valorem Taxes	191,480,457	189,818,596	176,185,135	169,864,108	157,426,775
Other Taxes, License & Permits	97,204,123	95,094,411	71,285,288	59,736,030	64,765,078
Intergovernment Revenue	31,611,404	30,772,087	40,056,354	35,324,740	31,718,905
Sales and Services	18,899,173	15,813,382	33,870,503	30,978,703	10,193,093
Investment Earnings	12,829,794	7,755,348	315,841	49,810	818,558
Miscellaneous	577,890	617,383	386,212	225,408	163,429
Total	352,602,841	339,871,207	322,099,333	296,178,799	265,085,838
Breakdown of General Fund Expenditures					
General Government	27,664,450	27,911,905	28,197,216	25,834,646	19,278,089
Public Safety	76,788,685	66,358,158	53,256,540	46,373,172	46,132,982
Economic and Physical Development	8,288,511	8,930,093	16,719,671	5,672,648	4,181,666
Human Services	57,931,550	49,499,858	47,365,662	42,971,403	41,458,784
Cultural & Recreational	931,864	968,390	720,000	670,870	551,000
Education	108,808,921	102,245,795	89,772,176	78,050,000	78,271,773
Debt Service	42,354,409	41,757,675	41,339,390	38,648,832	37,631,285
Total	322,768,390	297,671,874	277,370,655	238,221,571	227,505,579

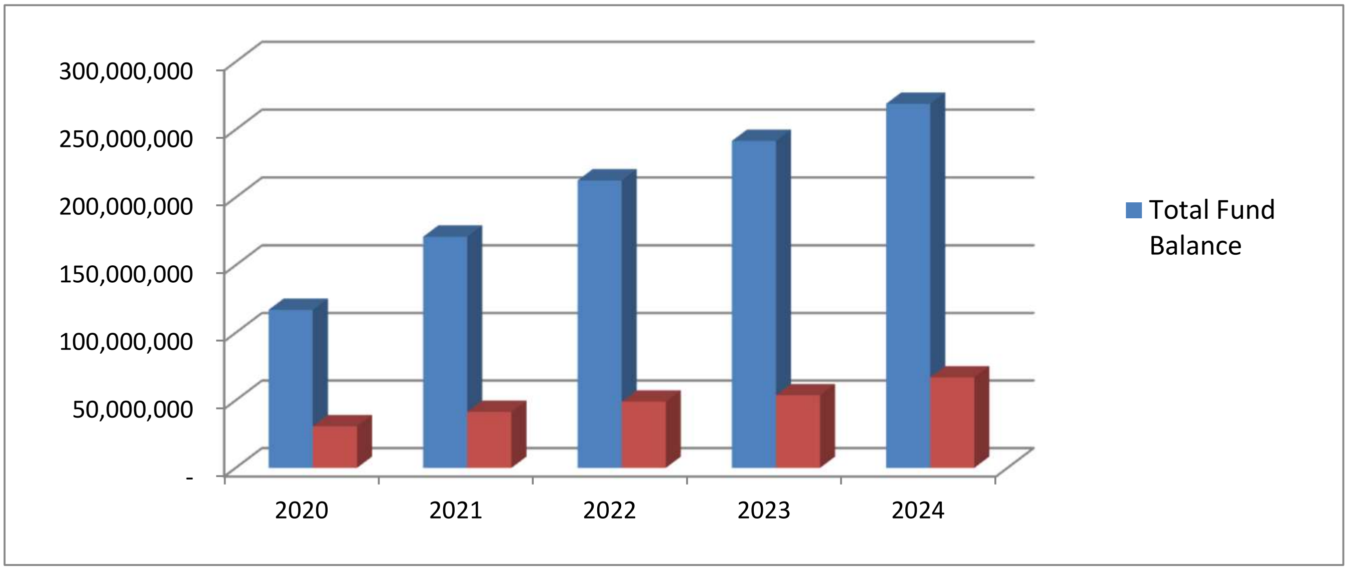
** Limited Obligation Bonds were issued during FY 2014. These bonds were refunded in FY 2021. There were two bonds recorded on the books as a result of limited obligation transactions, which decreased to one bond after the refunding in 2021. The debt is recorded in the water districts fund as general 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	386,204,314	257,371,393	232,839,959	179,542,471	158,199,472
Less amount for Limited Obligation Bonds	(48,970,000)	(55,100,000)	(57,950,000)	(83,751,649)	(55,990,000)
Total Business-type Debt (excl LOBs)	337,234,314	202,271,393	174,889,959	95,790,822	102,209,472

JOHNSTON COUNTY

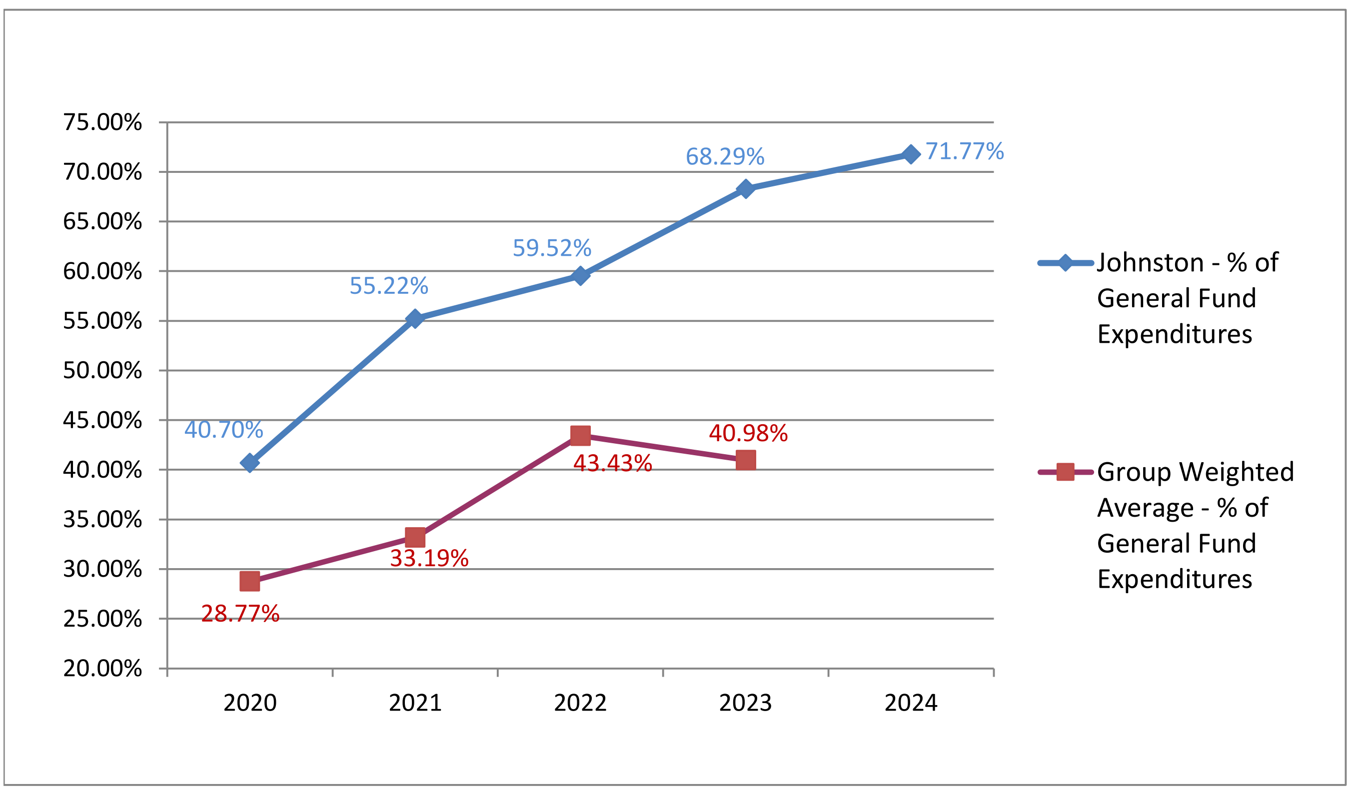
Analysis of Fund Balance



JOHNSTON COUNTY

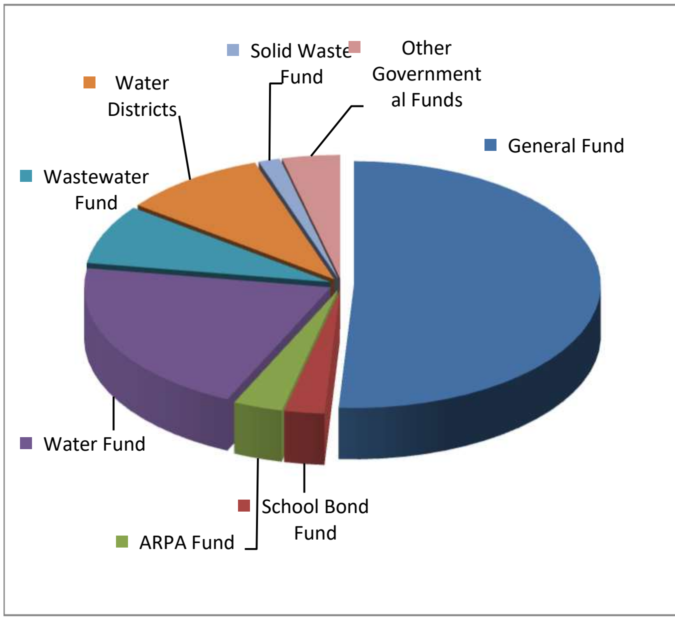
Analysis of Fund Balance Available

(Note - 2024 Group Weighted Average Not Available at Date of Presentation)

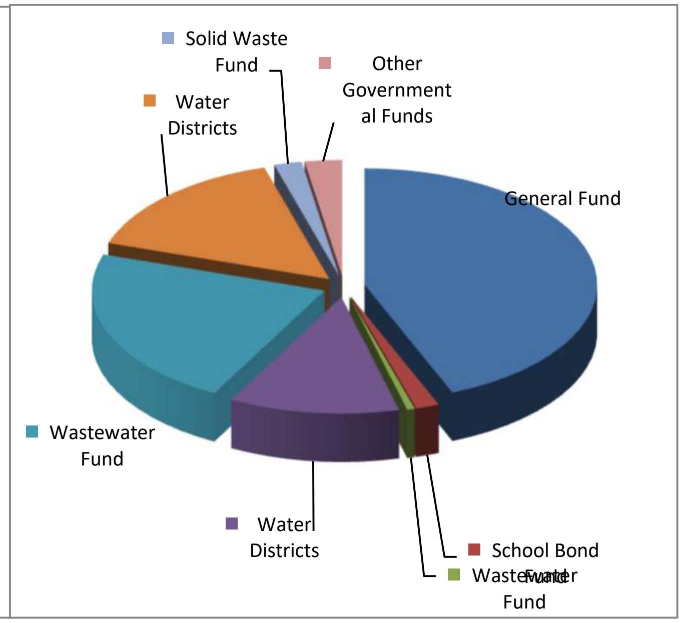


JOHNSTON COUNTY
Analysis of Cash and Fund Balances
at June 30, 2024

CASH BALANCES



FUND BALANCES

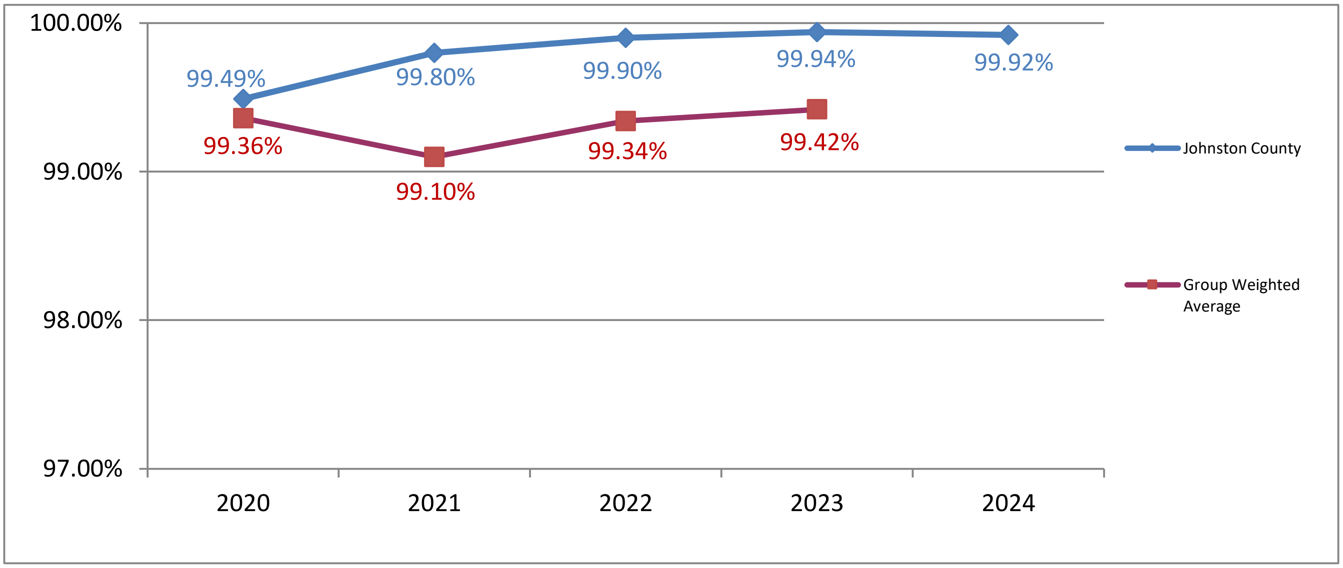


	2024	
	Cash Balances	Fund Balances
General Fund	$ 247,867,402	$ 269,039,469
School Bond Fund	15,792,705	9,980,225
ARPA Fund	18,687,859	3,322,189
Water Fund	100,130,309	72,616,225
Wastewater Fund	37,939,932	136,120,979
Water Districts Operating Fund	46,130,808	94,860,959
Solid Waste Fund	6,962,531	11,780,869
Other Governmental Funds	18,458,118	15,919,989
Total	$ 491,969,664	$ 613,640,904

JOHNSTON COUNTY

Collection Percentages

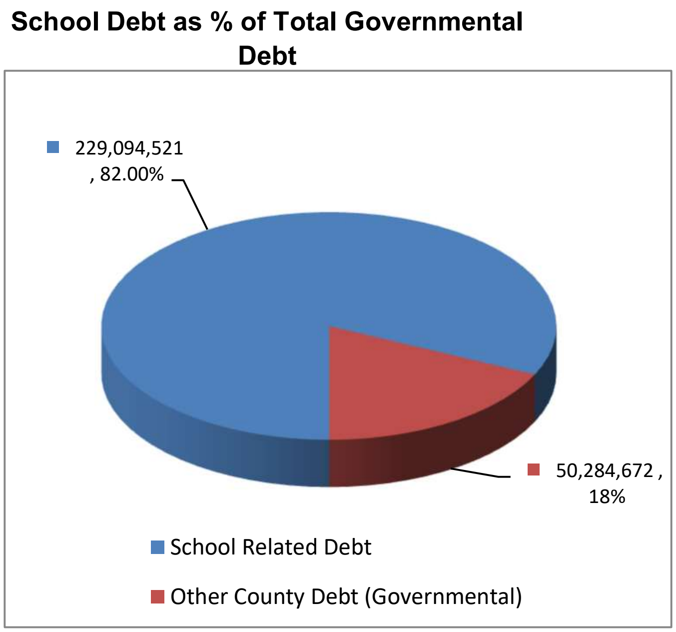
(Note - 2024 Group Weighted Average Not Available at Date of Presentation)

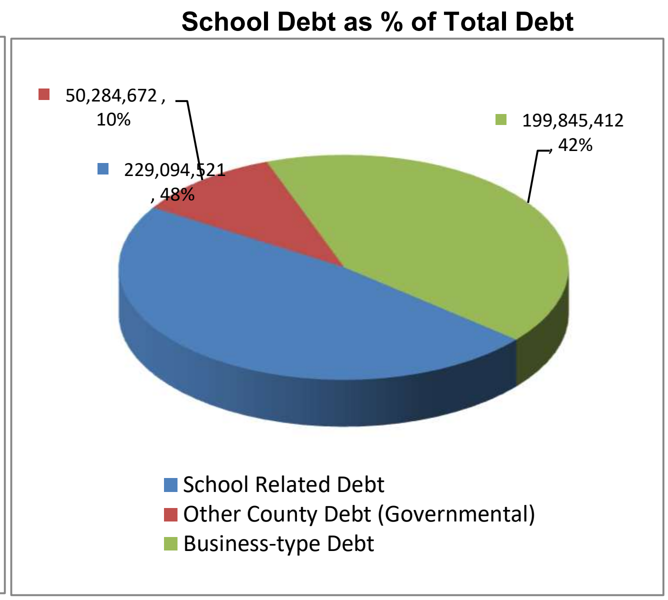


JOHNSTON COUNTY

Debt Analysis (excluding Compensated Absences and OPEB)

FYE June 30, 2024

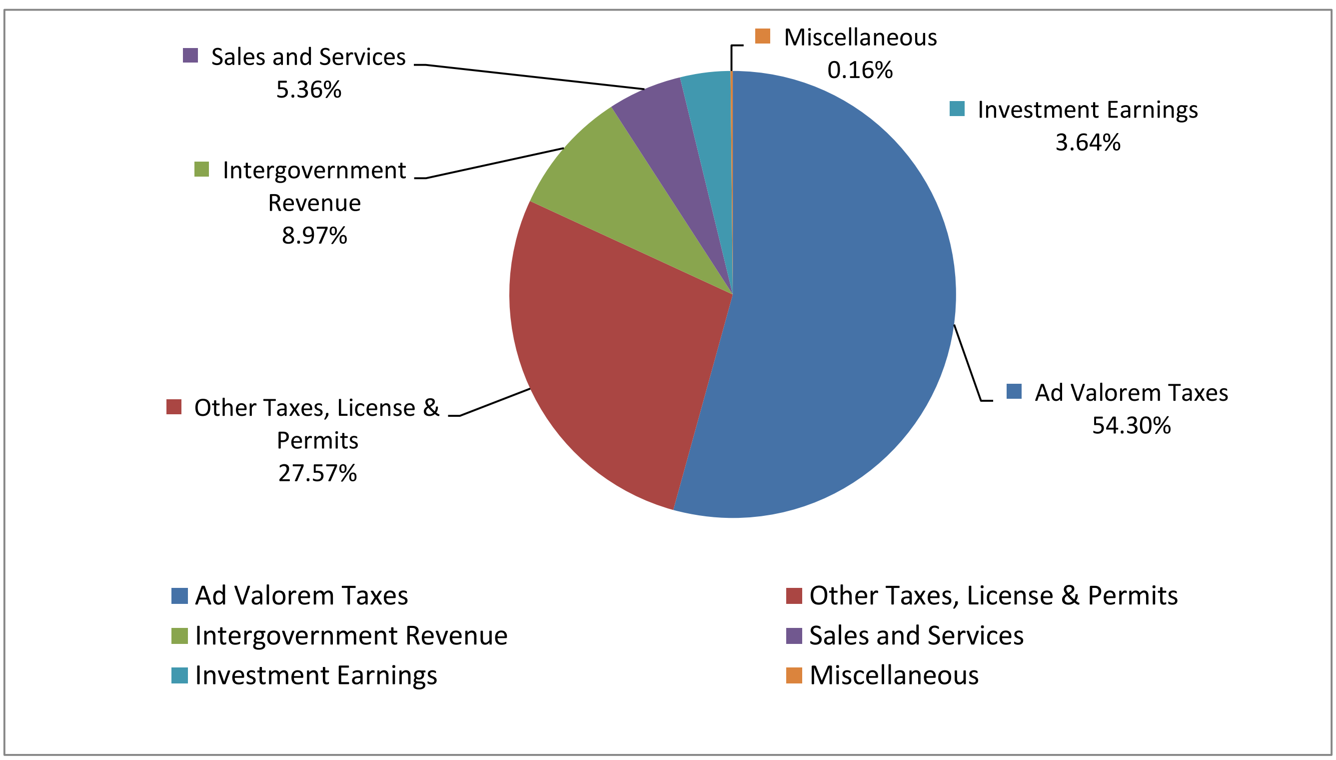




JOHNSTON COUNTY

Break Down of General Fund Revenue

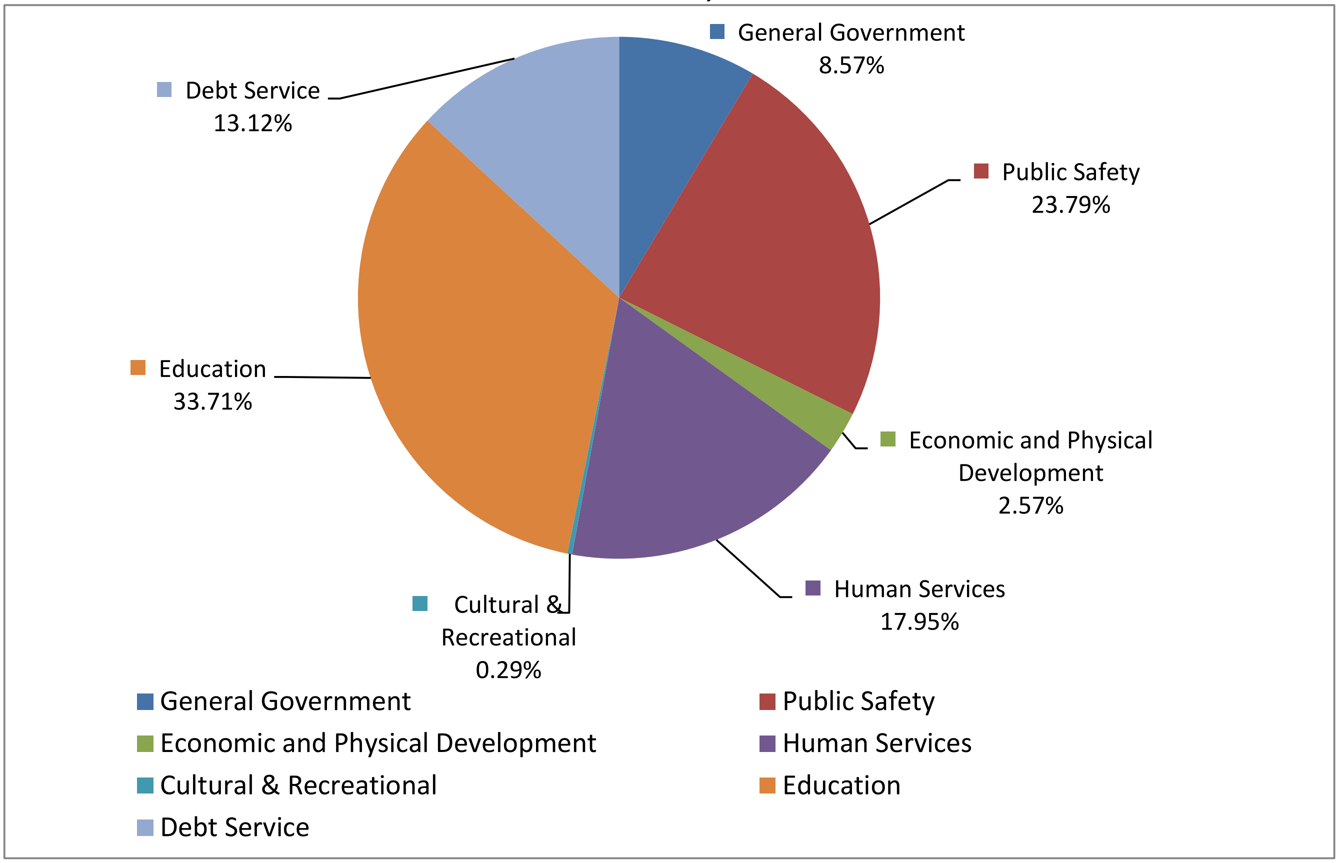
FYE June 30, 2024



JOHNSTON COUNTY

Break Down of General Fund Expenditures

FYE June 30, 2024



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.

	2024	Target		
What date was the audit report submitted to the LGC? (Note audit reports are due four months after fiscal year end regardless of the contract submission date.)	1/20/2025		Late	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 government as well.