JOHNSTON
COUNTY

JOHNSTON COUNTY

Presentation of Audit Results

Fiscal Year Ended
June 30, 2025

CERTIFIED PUBLIC ACCOUNTANTS
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JOHNSTON COUNTY

Presentation Agenda

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January 21, 2026

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, 2025. 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 25, 2025. Professional standards also required that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 25, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Risks Identified

We have identified the following significant risks:

- Management override of controls – this risk is presumed to be present in every audit under professional standard, regardless of the control environment. The rationale is that even the most robust internal control system can be overridden by management.

- Improper revenue recognition – this risk refers to the intentional or unintentional misstatement of revenue in financial statements. This can include premature recognition or manipulation of cut-off procedures. It is one of the most common areas for financial reporting fraud and is therefore presumed to be a significant risk in every audit engagement.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

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 Statement 101, "Compensated Absences" and GASB Statement 102, "Certain Risk Disclosures" in the current year. We noted no transactions entered into by the County of Johnston during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

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. Significant estimate(s) for the County are allowance for doubtful accounts, compensated absences, and depreciation. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

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. One significant disclosure affecting the County's financial statements relates to the implementation of GASB 101 which is discussed in the footnotes to the financial statements.

Significant 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 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 21, 2026.

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 Significant Matters, 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), for which we always consider it’s worthy to note as a risk.

Special efforts should be made to reconcile balance sheet accounts to subsidiary reports more timely throughout the year to ensure that the Board has accurate information to base decisions on.

The County should ensure that budget amendments are approved to cover expenditures. In particular, the posting of the insurance claims through a liability account instead of an expense account resulted in an over-expenditure in the current year for these claims. The County should consider using an internal service fund to account for the self-insured payroll deductions and claims going forward. Additionally, the Communication Fund reported an over-expenditure as a result of a new GASB 96 item that was not properly recorded prior to year end, so when the entry was made, there was not enough budget to cover the required entry for the initial year of the agreement. These budget violations are discussed in the Stewardship note and in the audit report as Finding 2025-001.

Additionally, the County reported prior period restatements to correct items associated with various liability accounts which are disclosed in the footnotes and in the audit report as Finding 2025-002.

We disclosed items that were identified as technical errors in our review of the Medicaid program. More significant errors were found in our testing related to the CHIP program. Please review the schedule of findings and questioned cost in the audit report for a description of these errors. These items have been discussed with the DSS director, and a corrective action plan is in place to address the issues noted (see Findings 2025-003 and 2025-004).

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 items that will require a response for the current year is regarding the budget violations explained in Finding 2025-001, Corrections of Prior Period

Errors explained in Finding 2025-002. Additionally, the Data Input Report identified that the operating expenses exceeded the operating revenues in the water and sewer funds (collectively) for the year. These three items will need to be addressed in the response.

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.

We were not engaged to report on the Introductory information and Statistical information, which is presented for the purpose of obtaining a Certificate of Excellence in Financial Reporting by the County after the fact. This information accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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.103: *Financial Reporting Model Improvements*, as the implementation of this standard may take a significant amount of time and resources to properly implement.

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

	2025	2024	2023	2022	2021
Total Fund Balance - General Fund	271,852,805	269,039,469	241,676,492	212,520,203	171,023,084
Unavailable Fund Balance - Nonspendable and Stabilization by State Statute	37,512,077	30,589,731	29,473,257	30,222,461	35,390,545
Other Restricted, Committed and Assigned Fund	34,091,313	36,436,263	24,308,405	18,782,795	6,090,943
General Fund Expenditures (including Transfers out less loan or lease proceeds)	369,197,750	332,250,271	310,745,272	306,281,474	245,642,231
Fund Balance Available as % of General Fund	63.47%	71.77%	68.29%	59.52%	55.22%
Revenue over (under) expenditures before transfers and contributions					
General Fund	15,493,099	29,834,452	42,199,333	44,728,678	57,957,228
Water Fund	(2,753,988)	3,050,166	914,490	904,612	779,431
Wastewater Treatment Fund	3,497,803	3,880,932	5,176,919	3,134,778	6,179,130
Water District Operating Fund	8,086,405	8,105,297	7,175,060	6,024,813	(1,537,980)
Solid Waste Fund	2,661,127	535,960	36,123	(299,419)	(779,469)
Cash vs. Accumulated Depreciation - Enterprise Funds (excluding Section 8 Housing)					
Total Fixed Assets	828,681,120	737,878,654	594,006,068	505,528,517	451,234,400
Accumulated Depreciation	216,690,744	207,358,542	196,961,091	186,571,234	177,454,786
Cash	232,284,343	191,163,580	113,682,616	142,964,909	95,132,206
Cash vs. Fund Balance					
Cash - General	245,624,676	247,867,402	223,386,645	189,417,533	153,943,492
Investment Earnings - General	10,978,589	12,829,794	7,755,348	315,841	49,810
Cash - School Bond Fund	50,941,694	15,792,705	8,796,853	16,464,289	37,627,437
Investment Earnings - School Bond	845,646	1,096,694	461,778	29,686	3,822
Cash - ARPA Coronavirus Fund	6,743,821	18,687,859	42,071,967	40,699,910	20,330,829
Investment Earnings - ARPA	590,001	1,759,941	1,523,985	38,258	5
Cash - Water Fund	76,633,627	100,130,309	35,992,072	33,255,972	21,287,369
Investment Earnings - Water **	3,860,499	5,172,984	1,725,193	1,181,657	963,184
Cash - Wastewater Fund	85,032,117	37,939,932	25,695,728	56,561,544	31,246,473
Investment Earnings - Wastewater	2,925,998	1,062,303	1,085,333	68,296	10,374
Cash - Water District Operating Fund	60,696,984	46,130,808	40,071,142	38,624,671	30,074,426
Investment Earnings - Water Districts	955,612	1,020,146	608,266	31,571	11,177
Cash - Solid Waste	9,921,615	6,962,531	11,923,674	14,522,722	12,523,938
Investment Earnings - Solid Waste	72,644	71,787	29,485	3,674	4,982
Cash - Other Governmental	17,810,915	18,458,118	17,450,969	24,066,892	31,364,894
Investment Earnings - Other Govt	7,324	6,167	163,830	16,931	3,822
Fund Balance - General	271,852,805	269,039,469	241,676,492	212,520,203	171,023,084
Fund Balance - School Bond Fund	35,184,325	9,980,225	7,527,003	16,268,439	37,044,421
Fund Balance - ARPA Fund	3,167,423	3,322,189	1,562,248	38,263	5
Fund Balance - Water Fund	79,365,664	72,616,225	59,426,062	48,255,434	44,151,559
Fund Balance - Wastewater Fund	165,708,560	136,120,979	100,680,094	91,626,480	83,928,848
Fund Balance - Water District Operating Fund	119,089,848	94,860,959	82,195,715	76,972,962	63,603,145
Fund Balance - Solid Waste	16,035,294	11,780,869	11,244,909	10,708,786	9,608,205
Fund Balance - Other Governmental Funds	15,863,278	15,919,989	15,249,191	23,240,622	31,298,735
Property Tax Rates	0.670	0.690	0.730	0.730	0.760
Collection Percentages	99.90%	99.92%	99.94%	99.90%	99.80%
Collection Percentages (excluding Motor Vehicle)	99.88%	99.91%	99.93%	99.88%	99.77%
Total Property Valuation	28,973,359,517	27,693,627,514	26,050,397,639	24,147,086,319	22,302,968,289
Total Levy Amount	194,984,953	191,279,272	190,287,418	176,390,965	169,692,259

JOHNSTON COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

	2025	2024	2023	2022	2021
Debt Analysis (excluding Compensated Absences and OPEB)					
Governmental - General Obligation (County)	4,740,895	757,534	948,964	2,559,304	1,603,292
Governmental - General Obligation (School)	280,458,622	201,880,550	196,117,063	221,279,752	249,337,377
Governmental - LOBs (County)	46,053,158	49,527,138	53,001,119	55,606,100	41,711,080
Governmental - LOBs (School)	53,129,650	27,213,971	31,634,924	35,552,919	38,848,785
Governmental - Leases & SBITAs (GASB 87 & 96)	2,887,863	1,579,427	1,757,564	1,215,691	-
Total Governmental Debt	387,270,188	280,958,620	283,459,634	316,213,766	331,500,534
Business-type - General Obligation	37,125,000	39,725,000	42,290,000	44,725,000	47,095,000
Business-type - Limited Obligation**	59,435,000	64,605,000	69,675,000	74,985,000	83,751,649
Business-type - Unamortized Prem/Disct	11,826,986	6,733,061	3,431,158	3,804,931	3,516,649
Business-type - Installment Purchase	8,655,000	9,245,000	9,830,000	10,375,000	10,855,000
Business-type - Clean Water Loans	130,939,637	135,240,412	81,669,662	52,476,454	34,296,639
Business-type - Other Notes Payable	-	-	-	-	27,534
Business-type - Revenue Bonds	197,710,000	130,315,000	50,070,000	50,070,000	-
Business-type - Leases & SBITAs (GASB 87 &	227,565	340,841	405,573	208,505	-
Total Business-type	445,919,188	386,204,314	257,371,393	232,839,959	179,542,471
Total Debt Outstanding (excluding Compensated Absences and OPEB)	833,189,376	667,162,934	540,831,027	549,053,725	511,043,005
Breakdown of General Fund Revenues					
Ad Valorem Taxes	194,305,400	191,480,457	189,818,596	176,185,135	169,864,108
Other Taxes, License & Permits	108,533,251	97,204,123	95,094,411	71,285,288	59,736,030
Intergovernment Revenue	36,527,553	31,611,404	30,772,087	40,056,354	35,324,740
Sales and Services	18,992,514	18,899,173	15,813,382	33,870,503	30,978,703
Investment Earnings	10,978,589	12,829,794	7,755,348	315,841	49,810
Miscellaneous	275,779	577,890	617,383	386,212	225,408
Total	369,613,086	352,602,841	339,871,207	322,099,333	296,178,799
Breakdown of General Fund Expenditures					
General Government	41,742,793	27,664,450	27,911,905	28,197,216	25,834,646
Public Safety	81,995,415	76,788,685	66,358,158	53,256,540	46,373,172
Economic and Physical Development	8,836,242	8,288,511	8,930,093	16,719,671	5,672,648
Human Services	60,202,658	57,931,550	49,499,858	47,365,662	42,971,403
Cultural & Recreational	834,735	931,864	968,390	720,000	670,870
Education	118,571,460	108,808,921	102,245,795	89,772,176	78,050,000
Debt Service	41,936,684	42,354,409	41,757,675	41,339,390	38,648,832
Total	354,119,987	322,768,390	297,671,874	277,370,655	238,221,571

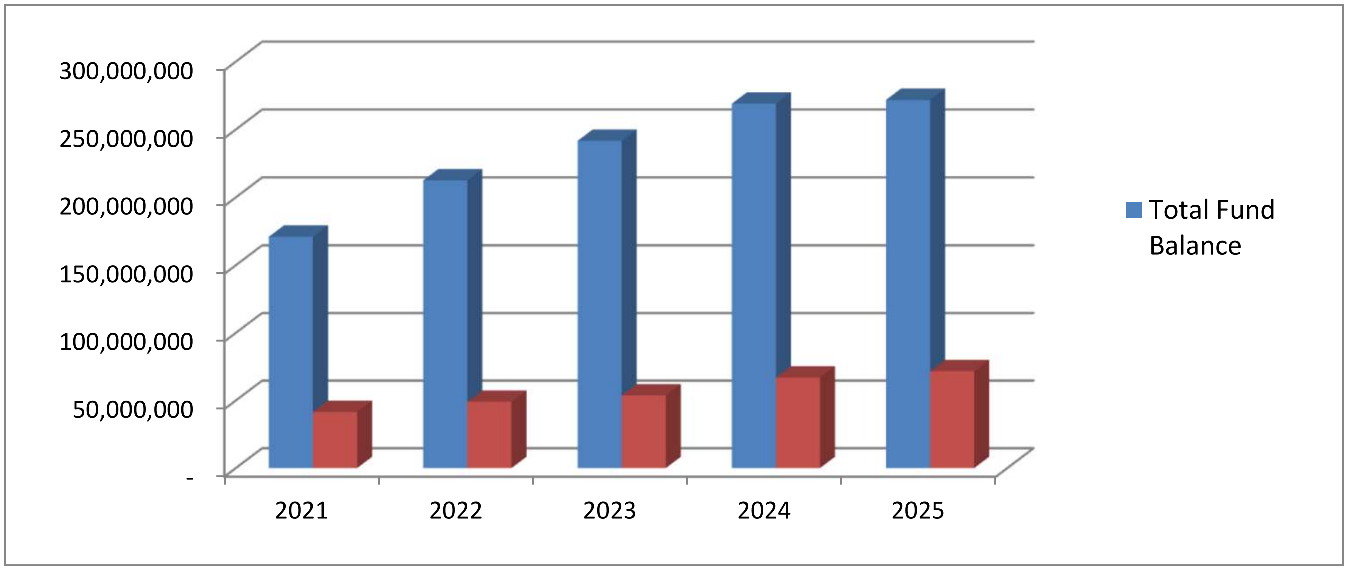
** Limited Obligation Bonds were issued during FY 2014. These bonds were refunded in FY 2021. There were two bonds recorded on the books as a result of limited obligation transactions, which decreased to one bond after the refunding in 2021. The debt is recorded in the water districts fund as general 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:

	2025	2024	2023	2022	2021
Total Business-type Debt	445,919,188	386,204,314	257,371,393	232,839,959	179,542,471
Less amount for Limited Obligation Bonds	(45,780,000)	(48,970,000)	(55,100,000)	(57,950,000)	(83,751,649)
Total Business-type Debt (excl LOBs)	400,139,188	337,234,314	202,271,393	174,889,959	95,790,822

JOHNSTON COUNTY

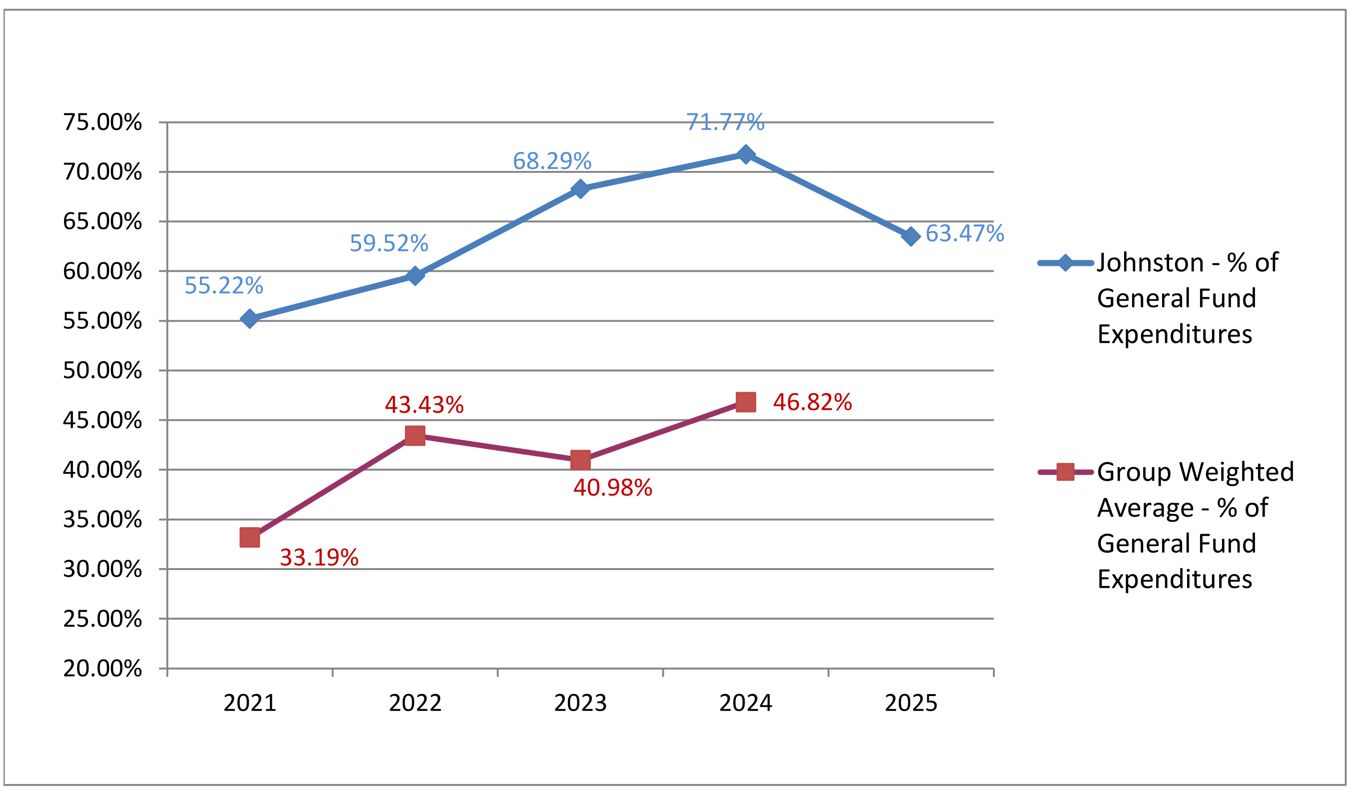
Analysis of Fund Balance



JOHNSTON COUNTY

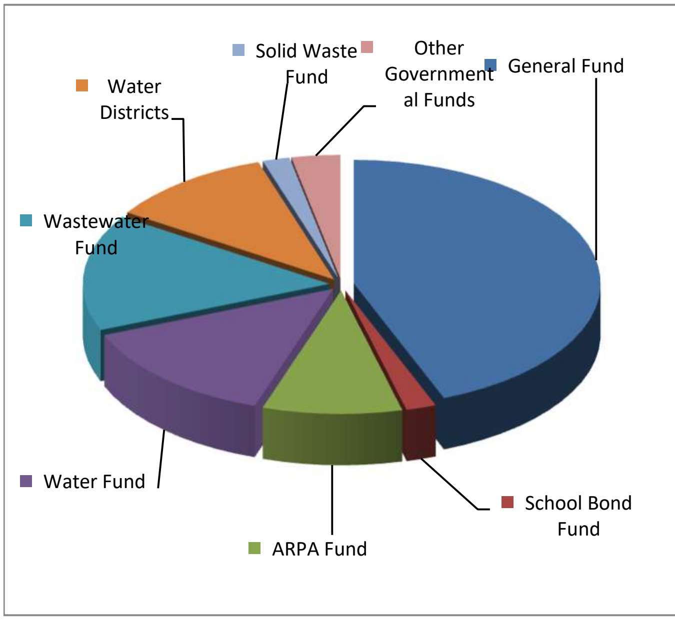
Analysis of Fund Balance Available

(Note - 2025 Group Weighted Average Not Available at Date of Presentation)

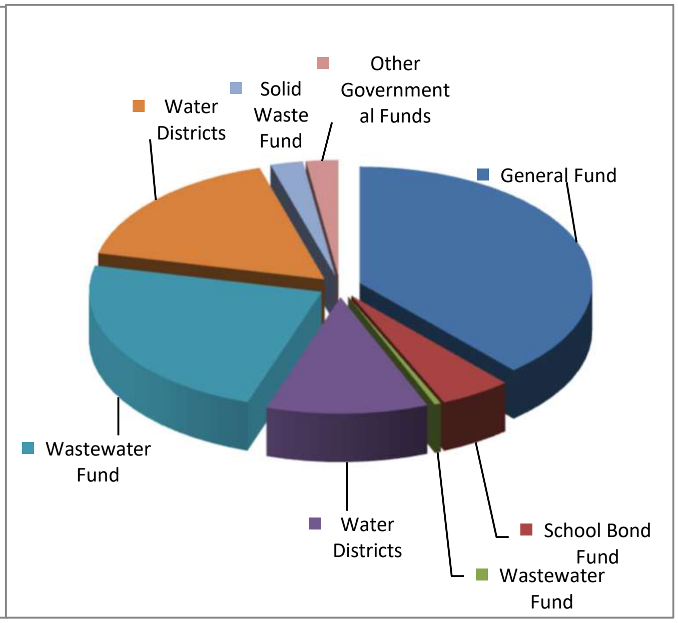


JOHNSTON COUNTY
Analysis of Cash and Fund Balances
at June 30, 2025

CASH BALANCES



FUND BALANCES

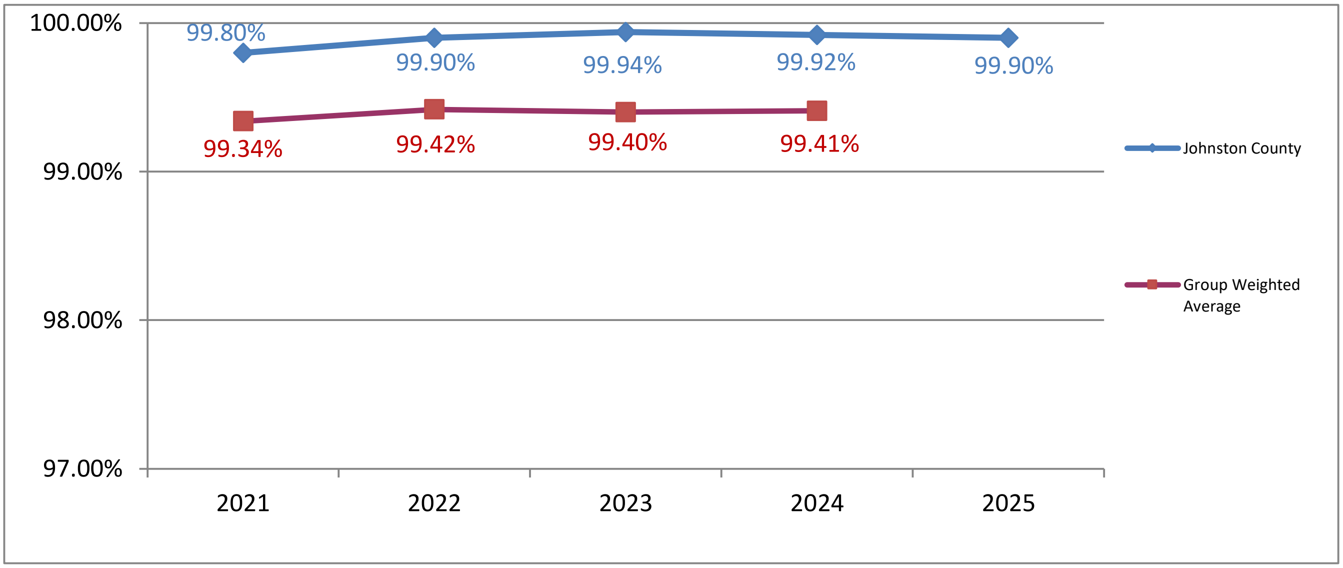


	2025	
	Cash Balances	Fund Balances
General Fund	$ 245,624,676	$ 271,852,805
School Bond Fund	50,941,694	35,184,325
ARPA Fund	6,743,821	3,167,423
Water Fund	76,633,627	79,365,664
Wastewater Fund	85,032,117	165,708,560
Water Districts Operating Fund	60,696,984	119,089,848
Solid Waste Fund	9,921,615	16,035,294
Other Governmental Funds	17,810,915	15,863,278
Total	$ 553,405,449	$ 706,267,197

JOHNSTON COUNTY

Collection Percentages

(Note - 2025 Group Weighted Average Not Available at Date of Presentation)

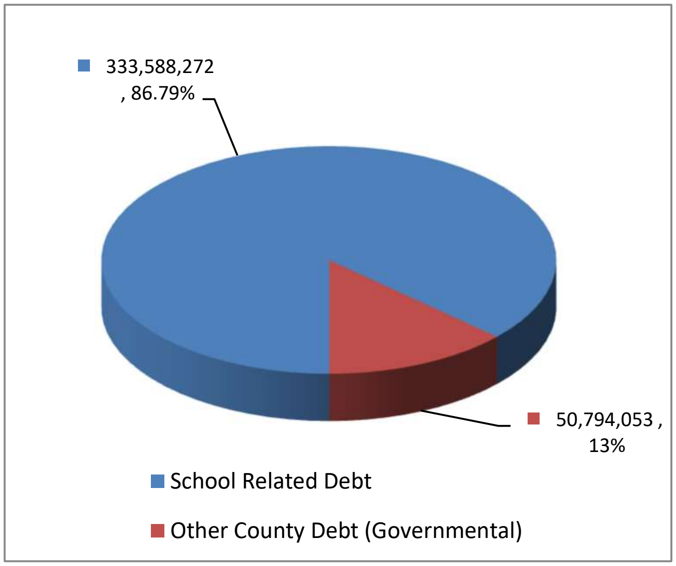


JOHNSTON COUNTY

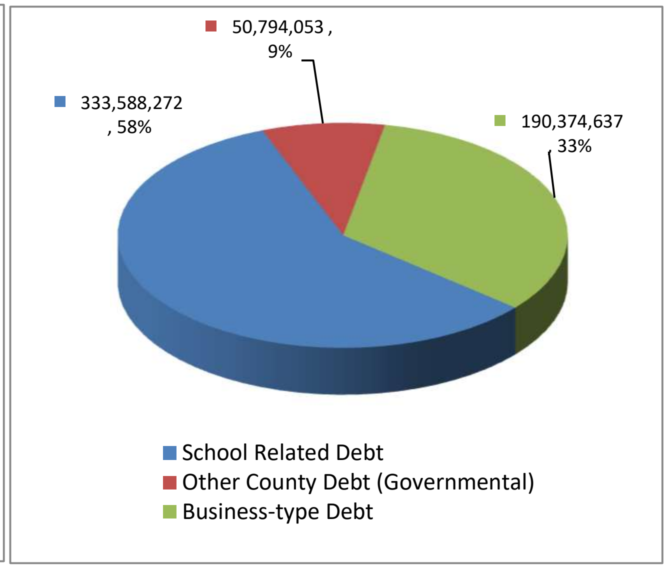
Debt Analysis (excluding Compensated Absences and OPEB)

FYE June 30, 2025

School Debt as % of Total Governmental Debt



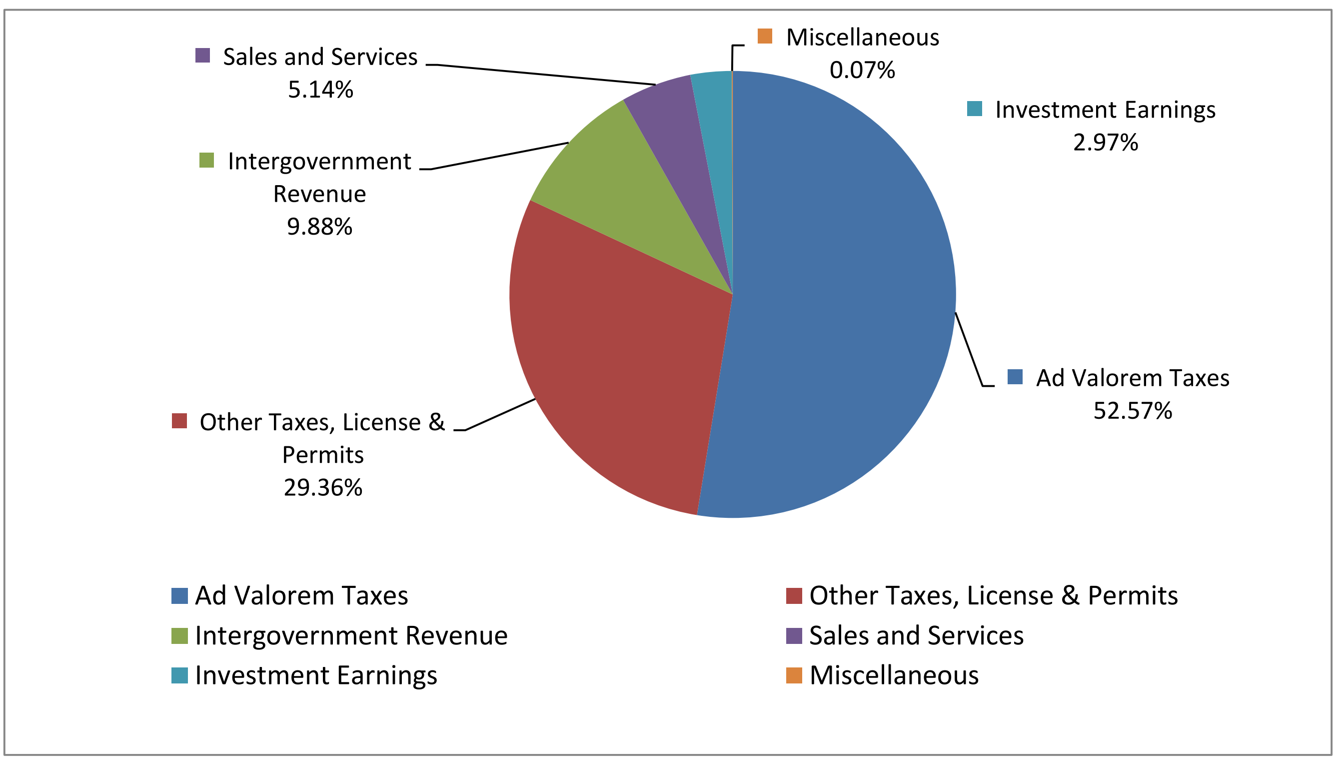
School Debt as % of Total Debt



JOHNSTON COUNTY

Break Down of General Fund Revenue

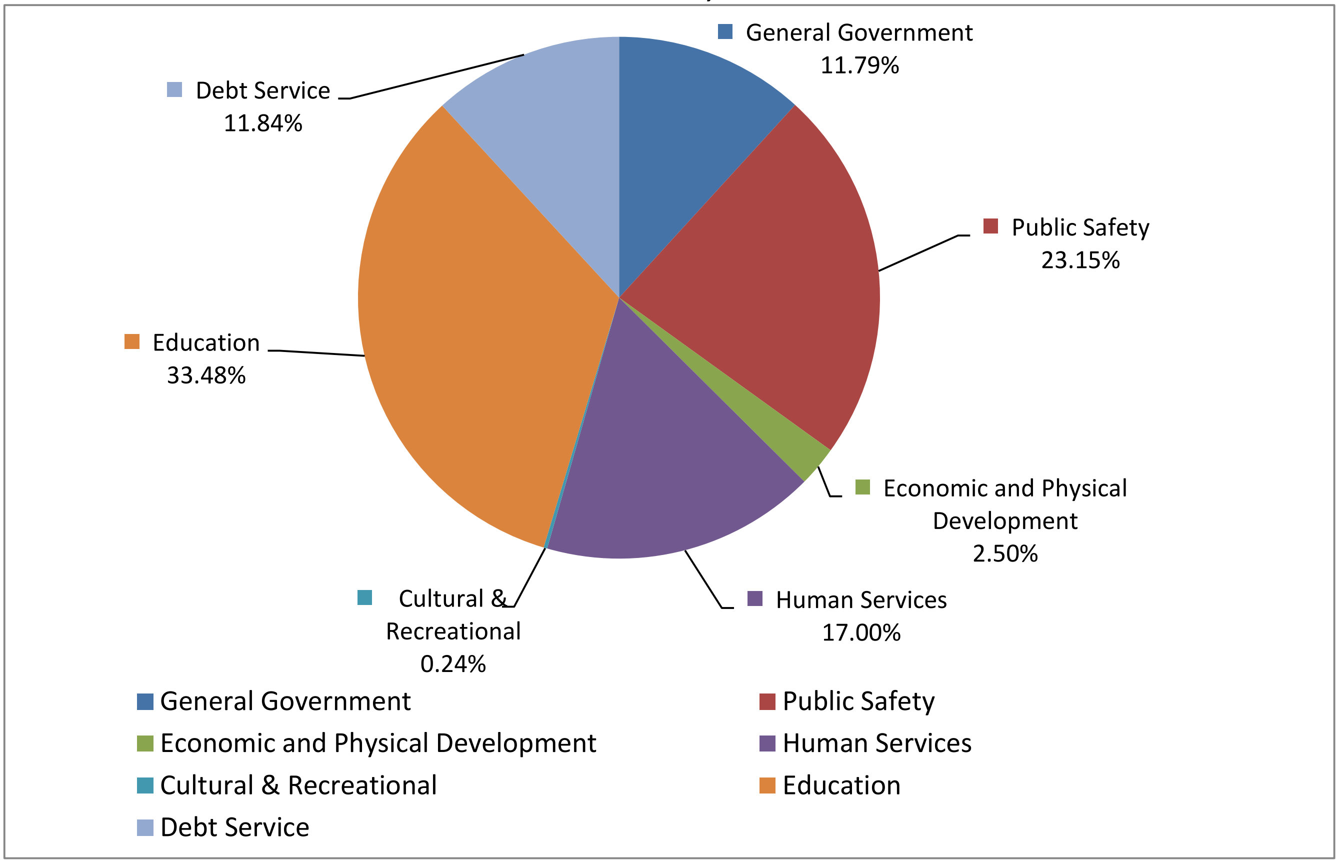
FYE June 30, 2025



JOHNSTON COUNTY

Break Down of General Fund Expenditures

FYE June 30, 2025



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.

Water & Sewer Fund	**2023**	**2024**	**2025**	**Fail Condition**
Operating Net Income Excluding Depreciation; including Debt Service Prinicpal and Interest	$ 9,689,263	$ 8,697,480	$ (649,743)	Less than $0

Material weaknesses, significant deficiencies, and/or statutory violations

Finding 2025-001: Budget Violation: The County expended $4,967,215 more than was budgeted in Governmental Activities function of the General Fund as a result of not properly budgeting for insurance claims that were paid in excess of the amounts withheld from the employees. Additionally, the Communications Fund was overspent by $75,755 as a result of recording a new SBITA that was only budgeted for the debt service payment and not the entire amount that had to be recorded at inception.

Finding 2025-002: Correction of an Error in Previously Issued Financial Statements: The County determined that there were amounts on the balance sheet for payroll withholdings that should have been expensed in the prior year. Adjustments were made to reconcile those balances at year end, which resulted in a decrease to fund balance in the General Fund of $1,328,366. Additionally, a deferred inflow was established related to the EMS receivable balance that was not collected within 60 days of year end which decreased fund balance by $842,818.