JOHNSTON
COUNTY

JOHNSTON COUNTY

Presentation of Audit Results

Fiscal Year Ended
June 30, 2018

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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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

December 19, 2018

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, 2018. 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 4, 2018. Professional standards also required that we communicate to you the following information related to our audit.

Significant Audit Findings

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. As described in Note 11 to the financial statements, the County adopted Statement of Governmental Accounting Standards (GASB Statement) No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in the fiscal year ended June 30, 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Government-wide and business-type activities statements. 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 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 December 19, 2018.

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.

Periodically during the year, the County should analyze the balance sheet accounts for all funds to ensure that balances presented are accurate. There were significant receivable balances that were not reflected on the balance sheet. We have discussed the importance of ensuring that activity for billings handled outside of the finance office are properly recorded on the general ledger. There should also be period reviews of the collections records to ensure that billings in these departments are followed up on if collectible and written off if they are not collectible. Periodic meetings should be held with contracted billing companies to ensure that the collections effort is adequate.

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.

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

	2018	2017	2016	2015	2014
Total Fund Balance - General Fund	73,721,039	66,178,077	61,686,076	51,363,774	49,964,939
Unavailable Fund Balance - Nonspendable and Restricted	19,059,890	17,190,132	15,351,707	13,928,080	16,066,381
Committed and Assigned Fund Balance	9,319,275	9,175,828	10,478,618	7,151,942	8,069,027
General Fund Expenditures (including Transfers out)	216,190,758	215,726,562	201,066,035	193,793,827	187,569,486
Fund Balance Available as % of General Fund	25.28%	22.71%	23.04%	19.32%	18.07%
Revenue over (under) expenditures before transfers and contributions					
General Fund	11,892,005	9,784,109	9,285,397	5,052,955	7,519,078
Water Fund	(1,113,274)	(2,335,622)	(2,660,504)	(2,345,149)	(2,831,946)
Wastewater Treatment Fund	8,921,081	1,248,450	531,502	595,802	86,524
Water District Operating Fund	3,531,709	2,133,558	461,770	1,084,284	(622,033)
Solid Waste Fund	(1,498,791)	1,648,773	(822,964)	3,709,033	(578,303)
Cash vs. Accumulated Depreciation - Enterprise Funds (excluding Section 8 Housing)					
Total Fixed Assets	356,823,388	350,433,123	343,158,046	340,128,908	338,266,631
Accumulated Depreciation	150,035,613	140,601,532	129,249,010	117,576,353	106,272,611
Cash	56,562,071	44,549,382	38,517,479	33,892,061	29,093,795
Cash vs. Fund Balance					
Cash - General	58,288,747	53,135,915	50,180,423	40,657,253	36,968,568
Investment Earnings - General	528,570	209,376	78,474	41,948	40,343
Cash - Water Fund	7,191,461	5,863,089	5,249,183	3,527,133	2,706,360
Investment Earnings - Water **	2,583,890	2,456,966	2,690,556	2,503,577	1,014,573
Cash - Wastewater Fund	20,828,374	13,007,911	10,529,837	9,293,086	6,910,155
Investment Earnings - Wastewater	11,366	4,575	2,779	1,084	1,051
Cash - Water District Operating Fund	14,592,773	13,379,788	11,607,364	11,372,458	10,914,373
Investment Earnings - Water Districts	21,342	17,737	21,586	12,319	12,293
Cash - Solid Waste	13,949,463	12,298,594	11,131,095	9,699,384	8,562,907
Investment Earnings - Solid Waste	69,562	23,219	11,266	870	441
Cash - Other Governmental	21,820,717	15,643,116	36,061,737	17,994,244	21,396,586
Investment Earnings - Other Govt	310,391	77,181	25,551	2,444	634
Fund Balance - General	73,721,039	66,178,077	61,686,076	51,363,774	49,964,939
Fund Balance - Water Fund	31,609,461	36,502,969	37,274,951	38,236,097	39,292,600
Fund Balance - Wastewater Fund	39,784,510	33,012,231	31,618,281	30,700,019	29,514,035
Fund Balance - Water District Operating Fund	33,540,622	31,849,907	31,188,277	32,425,865	32,877,681
Fund Balance - Solid Waste	4,152,915	8,077,660	6,428,887	7,251,851	3,643,500
Fund Balance - Other Governmental Funds	20,888,370	14,467,171	35,677,541	16,612,812	21,133,108
Property Tax Rates	0.780	0.780	0.780	0.780	0.780
Collection Percentages	99.91%	99.89%	99.86%	99.82%	99.54%
Collection Percentages (excluding Motor Vehicle)	99.90%	99.88%	99.84%	99.80%	99.71%
Total Property Valuation	16,415,455,483	15,769,357,765	15,181,171,323	14,530,182,613	14,492,788,141
Total Levy Amount	128,156,973	123,087,220	118,497,010	113,410,550	113,294,219

JOHNSTON COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

	2018	2017	2016	2015	2014
Debt Analysis (excluding Compensated Absences and OPEB)					
Governmental - General Obligation (school)	219,525,000	242,970,000	266,255,000	263,270,000	268,835,000
Governmental - COPS (non-school)	-	-	140,836	163,581	191,594
Governmental - COPS (school)	-	-	5,339,164	6,201,419	7,263,406
Governmental - Installment Purchases (school)	51,804,000	28,121,000	23,451,032	25,750,768	27,231,954
Governmental - Installment Purchases (non-school)	1,034,862	1,763,382	2,485,653	1,541,695	1,905,664
Capitalized leases (non-school)	-	186,749	359,074	861,612	1,271,162
Total Governmental Debt	272,363,862	273,041,131	298,030,759	297,789,075	306,698,780
Business-type - General Obligation	45,765,000	47,030,000	48,270,000	49,445,000	50,665,000
Business-type - Limited Obligation**	60,410,000	62,520,000	64,875,000	67,175,000	69,580,000
Business-type - Installment Purchase	10,522,298	10,751,417	10,969,260	11,190,868	11,441,280
Business-type - Clean Water Loans	34,372,903	35,171,472	32,665,430	33,530,166	35,413,251
Business-type - Other Notes Payable	34,754	36,978	39,116	41,172	217,856
Business-type - Revenue Bonds	6,203,398	6,307,398	6,408,398	6,506,398	6,600,398
Total Business-type	157,308,353	161,817,265	163,227,204	167,888,604	173,917,785
Total Debt Outstanding (excluding Compensated Absences and OPEB)	429,672,215	434,858,396	461,257,963	465,677,679	480,616,565
Breakdown of General Fund Revenues					
Ad Valorem Taxes	128,168,877	123,302,850	118,846,910	114,023,769	114,508,170
Other Taxes, License & Permits	52,325,805	48,662,641	41,355,284	38,676,674	34,325,387
Intergovernment Revenue	32,504,108	38,932,622	39,410,873	35,738,898	36,720,665
Sales and Services	7,266,698	6,269,424	6,363,875	7,006,380	6,156,947
Investment Earnings	516,518	209,376	78,474	41,948	40,343
Miscellaneous	470,347	378,417	165,628	128,725	245,752
Total	221,252,353	217,755,330	206,221,044	195,616,394	191,997,264
Breakdown of General Fund Expenditures					
General Government	19,060,351	19,593,588	17,259,015	16,130,259	15,717,086
Public Safety	39,936,410	36,525,539	35,122,358	32,394,484	30,779,865
Economic and Physical Development	3,104,664	5,134,938	2,973,442	3,171,181	2,623,223
Human Services	41,338,628	45,912,159	43,940,731	42,980,839	41,129,594
Cultural & Recreational	456,000	506,500	471,000	441,000	443,580
Education	66,194,562	62,632,575	59,671,369	57,659,058	56,625,483
Debt Service	38,511,318	37,665,922	37,497,732	37,786,618	37,159,355
Total	208,601,933	207,971,221	196,935,647	190,563,439	184,478,186

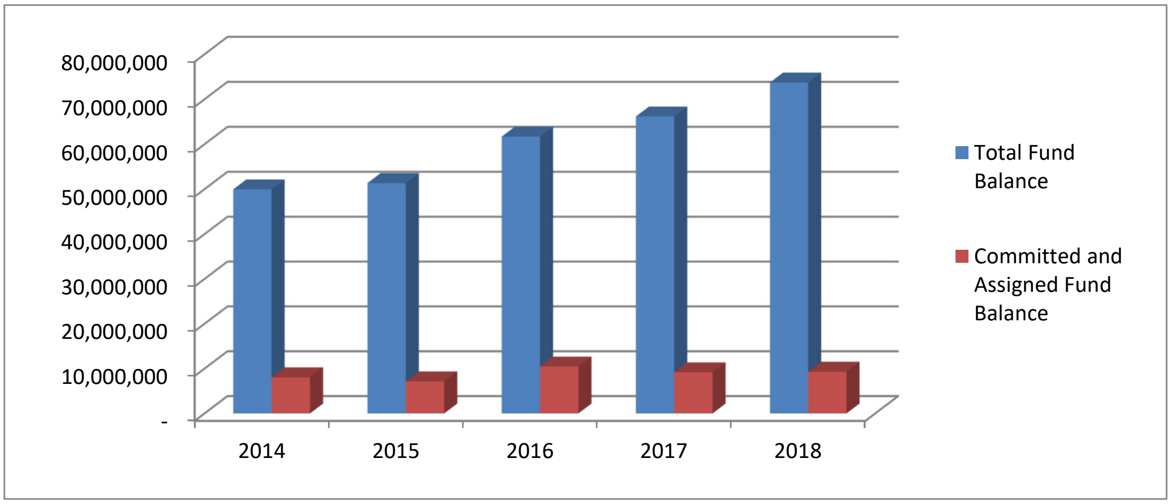
** Limited Obligation Bonds were issued during FY 2014. There are two bonds recorded on the books as a result of limited obligation transactions. The debt is recorded in the water districts fund as general obligation or clean water loans. These debt amounts are payable to the Water Fund to cover the 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:

	2018	2017	2016	2015	2014
Total Business-type Debt	157,308,353	161,817,265	163,227,204	167,888,604	173,917,785
Less amount for Limited Obligation Bonds	(60,410,000)	(62,520,000)	(64,875,000)	(67,175,000)	(69,580,000)
Total Business-type Debt (excl LOBs)	96,898,353	99,297,265	98,352,204	100,713,604	104,337,785

JOHNSTON COUNTY

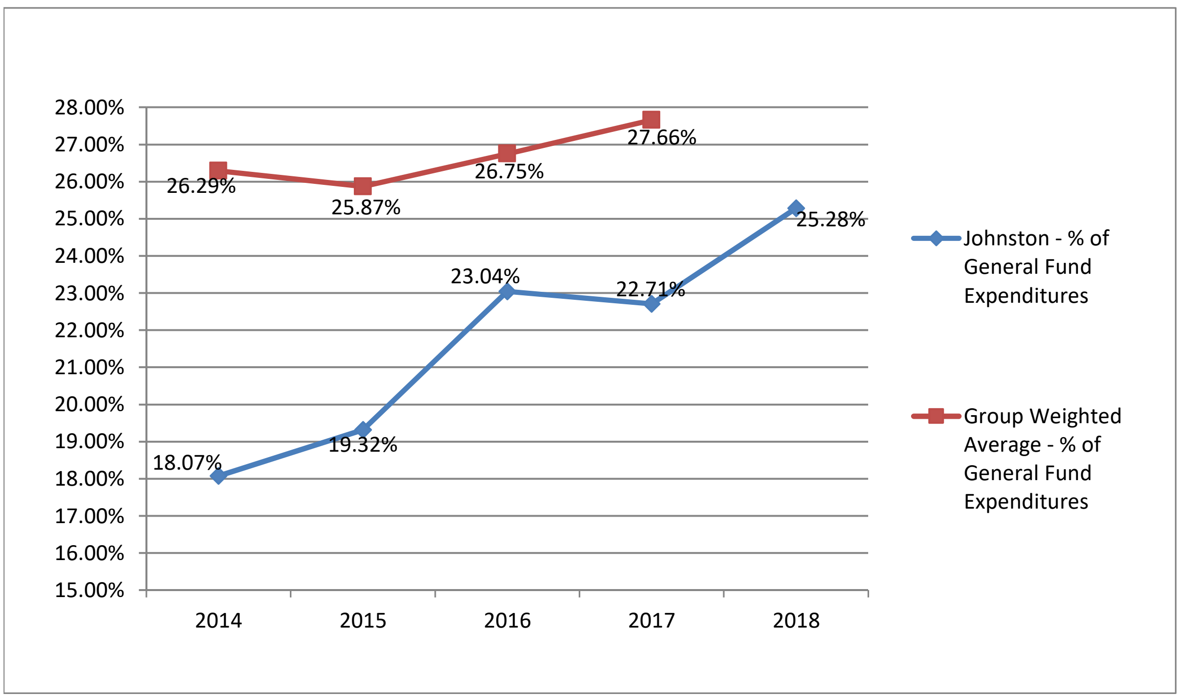
Analysis of Fund Balance



JOHNSTON COUNTY

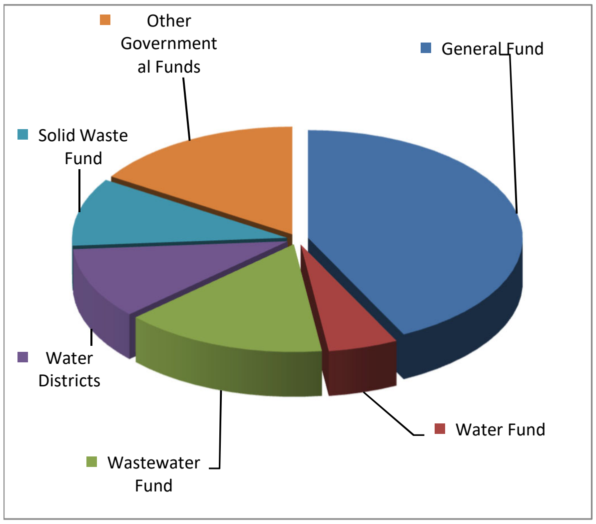
Analysis of Fund Balance Available

(Note - 2018 Group Weighted Average Not Available at Date of Presentation)

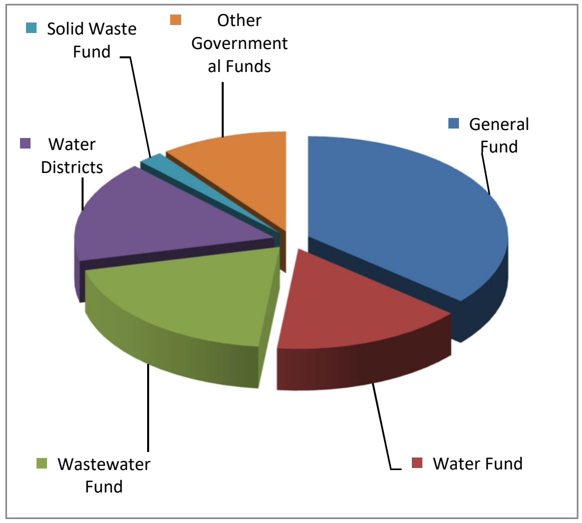


JOHNSTON COUNTY
Analysis of Cash and Fund Balances
at June 30, 2018

CASH BALANCES



FUND BALANCES

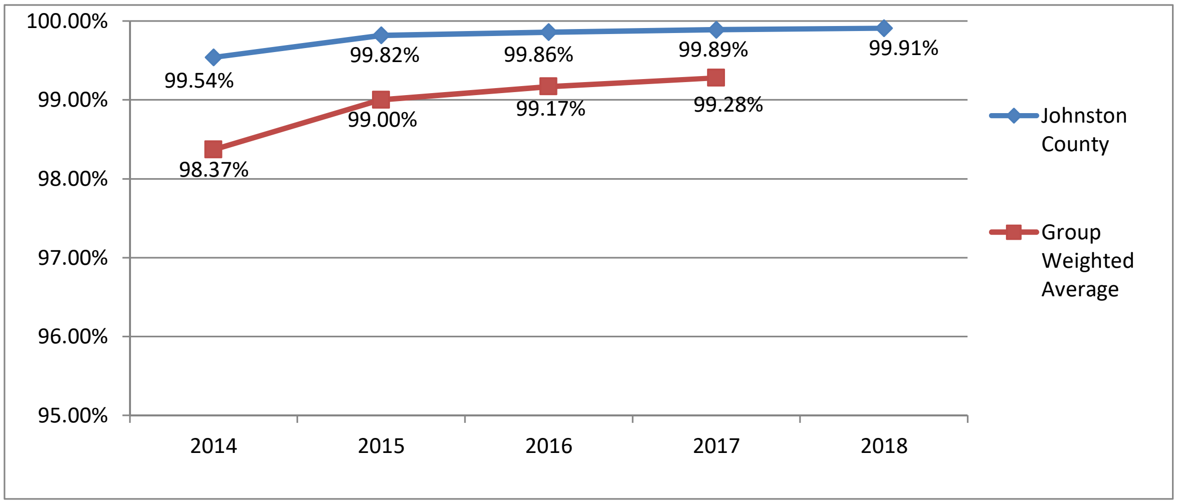


	2018	
	Cash Balances	Fund Balances
General Fund	$ 58,288,747	$ 73,721,039
Water Fund	7,191,461	31,609,461
Wastewater Fund	20,828,374	39,784,510
Water Districts Operating Fund	14,592,773	33,540,622
Solid Waste Fund	13,949,463	4,152,915
Other Governmental Funds	21,820,717	20,888,370
Total	$ 136,671,535	$ 203,696,917

JOHNSTON COUNTY

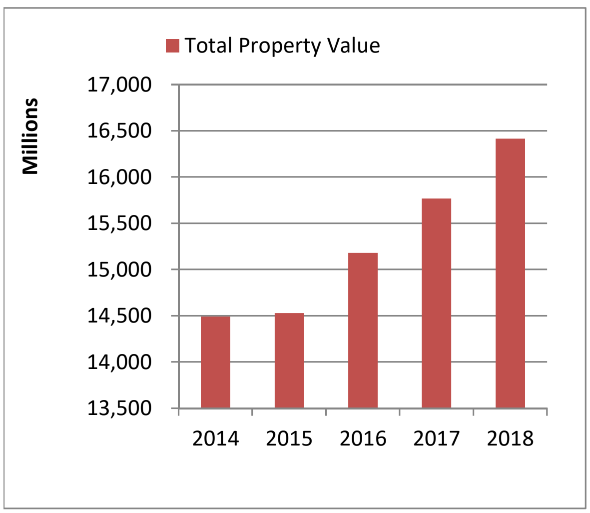
Collection Percentages

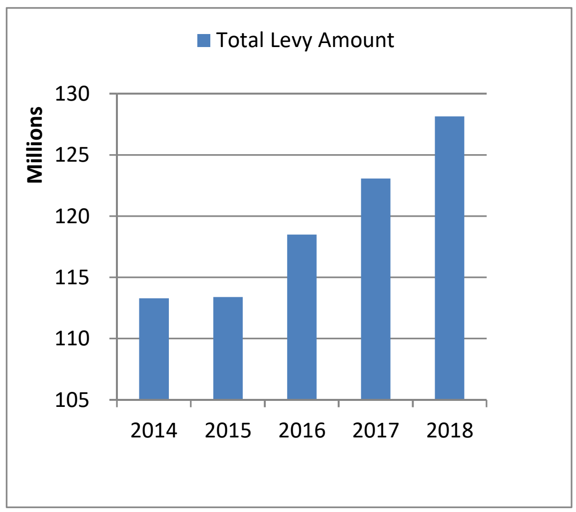
(Note - 2018 Group Weighted Average Not Available at Date of Presentation)



JOHNSTON COUNTY

Property Valuation and Levy Amount



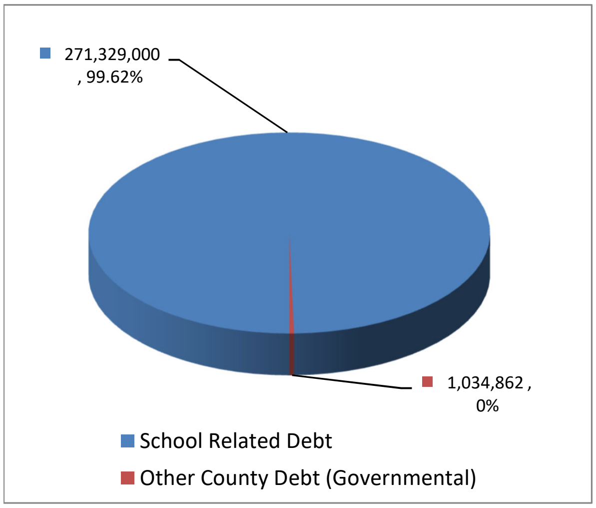


JOHNSTON COUNTY

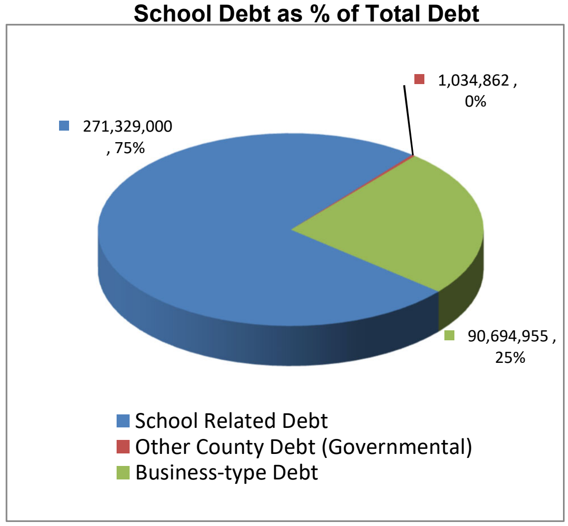
Debt Analysis (excluding Compensated Absences and OPEB)

FYE June 30, 2018

School Debt as % of Total Governmental Debt



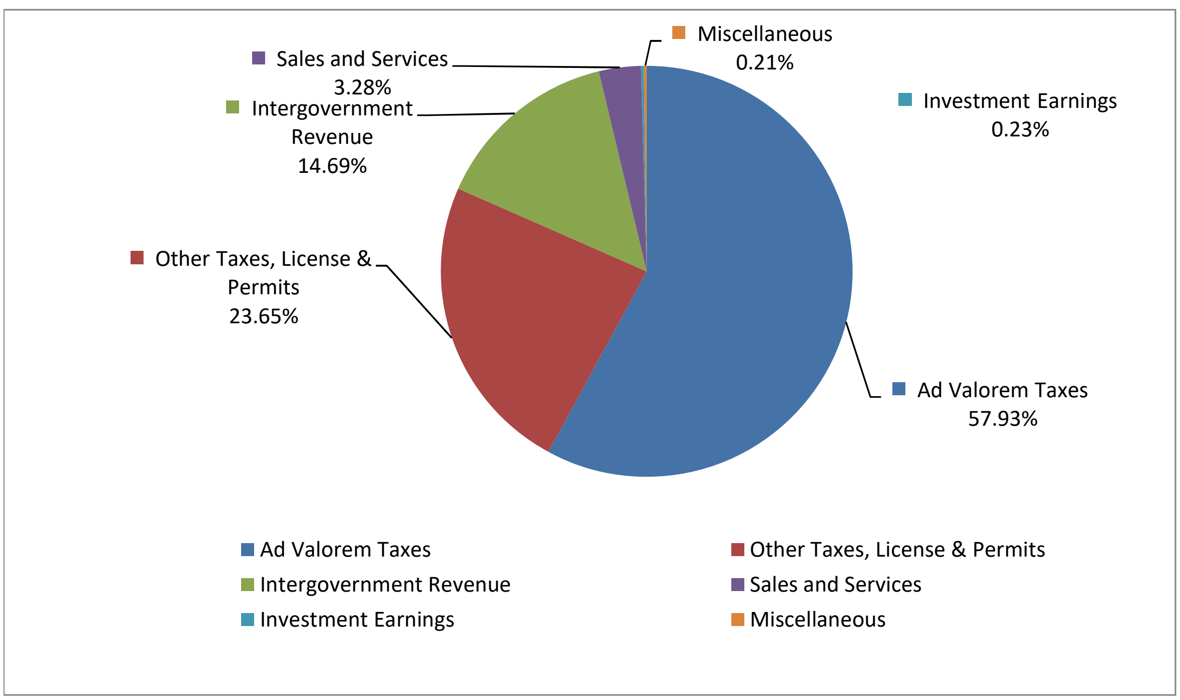
School Debt as % of Total Debt



JOHNSTON COUNTY

Break Down of General Fund Revenue

FYE June 30, 2018



JOHNSTON COUNTY

Break Down of General Fund Expenditures

FYE June 30, 2018