Ratings:
Moody's: Aa1
S&P: AA+
(See "**RATINGS**" herein)

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the County of Johnston, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. ***To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.*** *Unless otherwise indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.*

$38,925,000

County of Johnston, North Carolina

General Obligation Bonds

$27,000,000 General Obligation Public Improvement Bonds Series 2016	$11,925,000 General Obligation Refunding Bonds Series 2016

Dated: Date of Delivery **Due: As shown on inside cover page**

Tax Exemption	In the opinion of Bond Counsel and subject to the qualifications described herein, interest on the Bonds is not includable in gross income for federal income tax purposes and is exempt from all present State of North Carolina income taxes. See "TAX EXEMPTION" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the Bonds, including information regarding the application of federal alternative minimum tax provisions to the Bonds and certain other federal, State and local tax consequences.
Redemption	The Public Improvement Bonds are subject to redemption at the times and prices set forth herein. The Refunding Bonds are not subject to redemption prior to maturity.
Security	The Bonds constitute general obligations of the County, secured by a pledge of the faith and credit and taxing power of the County.
Interest Payment Dates	February 1 and August 1, commencing August 1, 2016.
Denominations	$5,000 or any integral multiple thereof.
Expected Closing/Settlement	May 17, 2016
Bond Counsel	Nexsen Pruet, PLLC, Charlotte, North Carolina
Financial Advisor	Davenport & Company LLC, Raleigh, North Carolina

The date of this Official Statement is April 26, 2016

MATURITY SCHEDULES

$27,000,000 Public Improvement Bonds, Series 2016

Due February 1 of the Year Indicated

Year of Maturity	Principal Amount	Interest Rate	Yield[1]	Year of Maturity	Principal Amount	Interest Rate	Yield[1]
2018	$500,000	2.00%	0.68%	2028	$1,750,000	2.00%	2.121%
2019	500,000	2.00	0.79	2029	1,750,000	3.00	2.24[2]
2020	500,000	2.00	0.92	2030	1,750,000	3.00	2.36[2]
2021	500,000	4.00	1.08	2031	1,750,000	3.00	2.47[2]
2022	500,000	5.00	1.22	2032	1,750,000	3.00	2.53[2]
2023	1,750,000	5.00	1.34	2033	1,750,000	3.00	2.64[2]
2024	1,750,000	5.00	1.47	2034	1,750,000	3.00	2.70[2]
2025	1,750,000	5.00	1.61	2035	1,750,000	3.00	2.81[2]
2026	1,750,000	4.00	1.73	2036	1,750,000	3.00	2.87[2]
2027	1,750,000	4.00	1.93[2]				

$11,925,000 Refunding Bonds, Series 2016

Due February 1 of the Year Indicated

Year of Maturity	Principal Amount	Interest Rate	Yield[1]	Year of Maturity	Principal Amount	Interest Rate	Yield[1]
2017	$ 50,000	2.00%	0.50%	2021	1,865,000	4.00	1.00%
2019	2,005,000	4.00	0.75	2022	4,270,000	4.00	1.15
2020	3,735,000	4.00	0.89				

[1]Information obtained from the underwriters of the Bonds.
[2]Yield to the February 1, 2026 call date at par.

COUNTY OF JOHNSTON, NORTH CAROLINA

BOARD OF COMMISSIONERS

Tony Braswell .... Chair

DeVan Barbour .... Vice-Chair

Lillian ("Cookie") Pope

Allen L. Mims, Jr.

Jeffrey P. Carver

Ted G. Godwin

Chad M. Stewart

COUNTY STAFF

Rick J. Hester .... County Manager

J. Chad McLamb, CPA .... Director of Finance

Jennifer J. Slusser, Esq. .... County Attorney

FINANCIAL ADVISOR

Davenport & Company LLC
Raleigh, North Carolina

BOND COUNSEL

Nexsen Pruet, PLLC
Charlotte, North Carolina

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State of North Carolina
Department of State Treasurer

JANET COWELL
TREASURER

State and Local Government Finance Division
and the Local Government Commission

GREGORY C. GASKINS
DEPUTY TREASURER

INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the purchase of $38,925,000 General Obligation Bonds, (the "Bonds"), consisting of $27,000,000 General Obligation Public Improvement Bonds, Series 2016 (the "Public Improvement Bonds") and $11,925,000 General Obligation Refunding Bonds, Series 2016 (the "Refunding Bonds"), of the County of Johnston, North Carolina (the "County").

The information furnished herein includes a brief description of the County and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The County has assisted the North Carolina Local Government Commission (the "Commission") in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date hereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). In accordance with the requirements of such Rule, the County has agreed in a resolution adopted by the Board of Commissioners of the County to certain continuing disclosure obligations. See the caption "Continuing Disclosure" herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the "State"), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

THE BONDS

Description

The Bonds will be general obligations of the County, will be dated their date of delivery, and will bear interest at the rates set forth on the inside cover page of this Official Statement from their date. Interest on the Bonds will be payable on August 1, 2016 and semiannually thereafter on each August 1 and February 1. The Bonds will mature on February 1, in the years and principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be paid on the interest payment date to the person appearing on the books of the County as the registered owner of the Bonds as of the close of business on the fifteenth day of the month preceding such interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of $5,000 and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of the book-entry system and DTC.

Redemption Provisions

The Public Improvement Bonds maturing prior to February 1, 2027 will not be subject to redemption prior to maturity. The Public Improvement Bonds maturing on February 1, 2027 and thereafter will be subject to redemption, at the option of the County, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than February 1, 2026, at a redemption price equal to 100% of the principal amount of the Public Improvement Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

If less than all of the Public Improvement Bonds of any one maturity shall be called for redemption, the particular Public Improvement Bonds or portions of Public Improvement Bonds to be redeemed shall be selected by lot in such manner as the County in its discretion may determine; provided, however, that the portion of any Public Improvement Bond to be redeemed shall be in the principal amount of $5,000 or a whole multiple thereof and that, in selecting Public Improvement Bonds for redemption, each Public Improvement Bond shall be considered as representing that number of Public Improvement Bonds which is obtained by dividing the principal amount of such Public Improvement Bonds by $5,000. Notwithstanding the preceding sentence, so long as a book-entry system with DTC is used for determining beneficial ownership of the Public Improvement Bonds, if less than all of the Public Improvement Bonds within a maturity are to be redeemed, DTC shall determine by lot the amount of the interest of each Direct Participant (as defined in Appendix F, in the Public Improvement Bonds within such maturity to be redeemed. If less than all of the Public Improvement Bonds stated to mature on different dates are called for redemption, the particular Public Improvement Bonds or portions of Public Improvement Bonds to be redeemed shall be called in such manner as the County may determine.

Notice of redemption shall be given by certified or registered mail, or as otherwise prescribed by DTC, or its nominee, as the registered owner of the Public Improvement Bonds. Such notice shall be mailed not more than 60 nor less than 30 days prior to the date fixed for redemption. The County will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee for so long as DTC or its nominee is the sole registered owner of the Public Improvement Bonds.

The election to call Public Improvement Bonds for redemption may be revoked by the County. The notice of redemption may state that the County retains the right to rescind such notice on or prior to the third business day preceding the scheduled redemption date.

On the date fixed for redemption, notice having been given as described above, the Public Improvement Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefore, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Public Improvement Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, have been deposited by the County to be held in trust for the registered owners of the Public Improvement Bonds or portions thereof to be redeemed, interest on the Public Improvement Bonds or portions thereof called for redemption shall cease to accrue, such Public Improvement Bonds or portions thereof shall cease to be entitled to any benefits or security under the Local Government Bond Act (as defined below) or the resolution authorizing their issuance, or to be deemed outstanding, and the registered owners of such Public Improvement Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price therefor, plus accrued interest to such redemption date. If a portion of a Public Improvement Bond shall have been selected for redemption, a new Public Improvement Bond or Public Improvement Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate shall be delivered for the unredeemed portion of the principal amount of such Public Improvement Bond.

The Refunding Bonds will not be subject to redemption prior to maturity.

Authorizations and Purposes

The Public Improvement Bonds are being issued pursuant to (i) the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, (ii) a bond order duly adopted by the Board of Commissioners of the County on August 5, 2013, which was approved by a majority of the qualified voters of the County voting at referenda on November 5, 2013, and (iii) a resolution duly adopted by said Board on April 4, 2016. The Bonds are being issued for the purpose of providing funds for constructing and improving school and community college facilities in the County.

The Refunding Bonds are being issued pursuant to (i) the provisions of the Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, (ii) a bond order duly adopted by the Board of Commissioners of the County on March 2, 2015, which order has taken effect, and (iii) a resolution duly adopted by said Board on April 4, 2016. The Refunding Bonds are being issued for the purpose of providing funds for the refunding of the Bonds to be Refunded, as described under "The Refunding Plan".

Security

The Bonds are general obligations of the County. The County is authorized and required by law to levy on all property taxable by the County such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

The Refunding Plan

The Refunding Bonds are being issued for the purpose of providing funds, together with other available funds, to (i) refund all or a portion of the County's outstanding (a) General Obligation Public Improvement Bonds, Series 2008 dated July 29, 2008, and stated to mature on February 1, 2019 and 2020, inclusive (the "Refunded 2008 Bonds"), (b) General Obligation Public Improvement Bonds, Series 2009, dated May 19, 2009 and stated to mature on February 1, 2020 to 2022, inclusive (the "Refunded 2009 Bonds" and, collectively with the Refunded 2008 Bonds, the "Bonds to be Refunded"), and (ii) pay certain expenses related to the issuance of the Refunding Bonds. The Refunded 2008 Bonds will be called for redemption on February 1, 2018. The Refunded 2009 Bonds will be called for redemption on February 1, 2019.

The proceeds to be received from the sale of the Refunding Bonds, together with other available funds of the County, will be applied to purchase certain obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations") and to pay certain expenses of the County related to the issuance of the Refunding Bonds. The Government Obligations will be held in trust by US Bank, National Association, Raleigh, North Carolina, as escrow agent (the "Escrow Agent"), pursuant to an escrow deposit agreement between the Escrow Agent and the County. The Government Obligations will mature, at such times and in such amounts, so that sufficient moneys will be available to pay when due all principal of, premium and interest on the Bonds to be Refunded. The Escrow Agent will be irrevocably instructed to redeem the Bonds to be Refunded on the redemption dates mentioned above.

THE COUNTY

General Description

The County was incorporated in 1746 and was formed largely from Craven County. Located in the mid-central section of the State and the western segment of the coastal plains region, the County contains approximately 795 square miles.

The topography of the land has characteristics of both the Coastal Plains and Piedmont regions of the State since it lies almost wholly within the fall zone, the transitional area between these two geographic regions. Except for the extreme northwest section, which is an upland area, the relief of most of the land is gently undulating to rolling. The elevation ranges from 80 feet above sea level to 350 feet above sea level in the upland regions. The main drainage system is the Neuse River which, together with its tributaries and the rolling structure of the land, provides good surface drainage for most of the County.

The estimated 2014 population of the County is 180,048 according to the North Carolina Office of State Budget and Management. Smithfield, the County seat, had a 2014 population of 11,057; Clayton 17,330; Selma 6,179; Archer Lodge 4,605; Benson 3,388; Four Oaks 1,987; Kenly 1,340; Princeton 1,210; Pine Level 1,766; Wilson's Mills 2,449; and Micro 450.

The County is one of the fastest growing counties in the State and nation according to the United States Department of Commerce, Bureau of the Census. In particular, the townships along the Johnston County/Wake County line have experienced significant growth over the past 20 to 25 years. A significant factor to such growth is the County's proximity to the Research Triangle Park ("RTP") and to the City of Raleigh, the State's capitol and the major urban center of the State's Coastal Plains region where urban development is heavily concentrated. The County offers diversified housing options which, when coupled with the job growth of the region, favorably positions the County to capitalize upon new and expanding commercial and industrial opportunities.

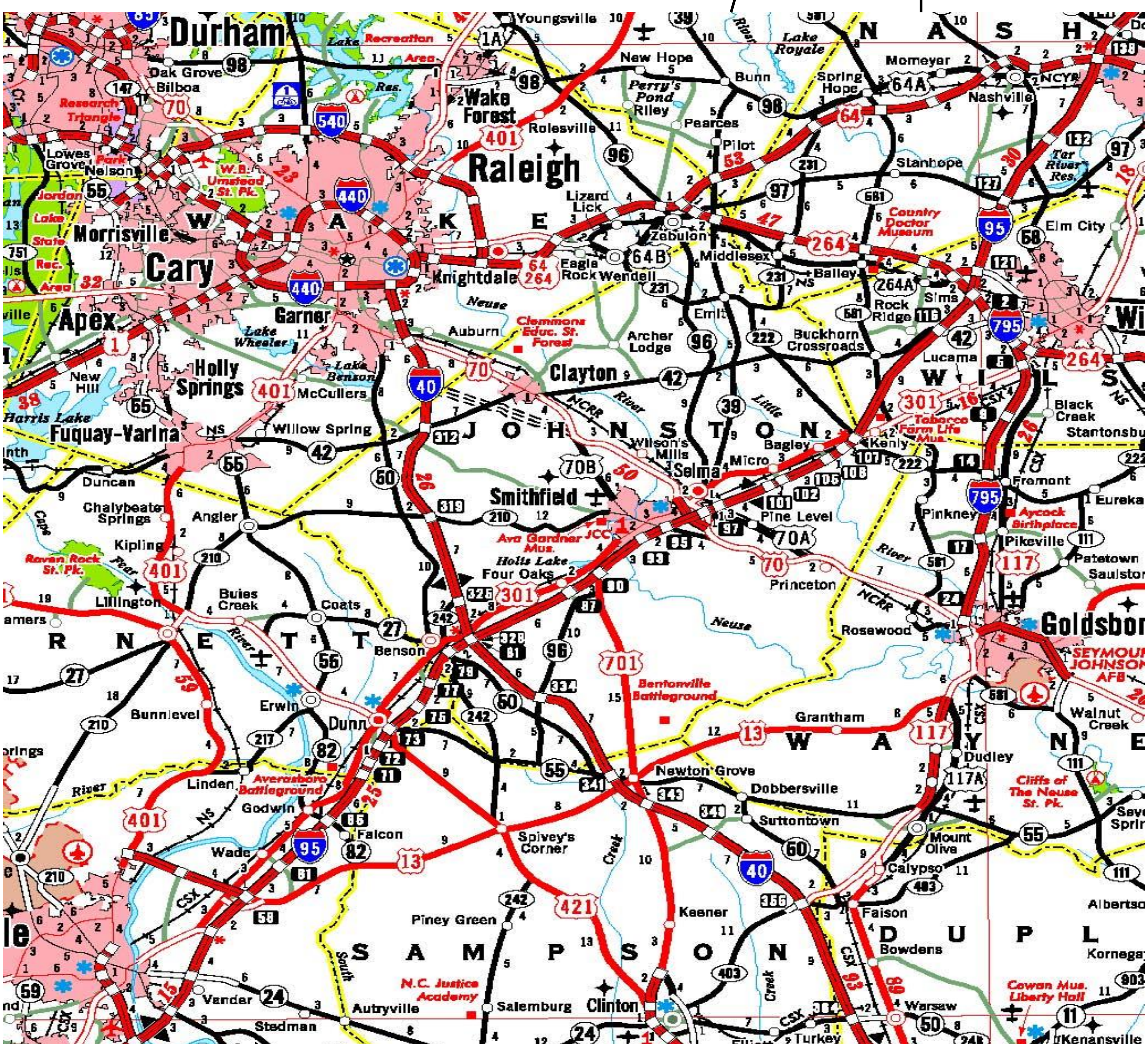
As the population expands and transportation networks improve, the County is experiencing growth further east into central areas of the County. The completion of the US Highway 70 Bypass around the Town of Clayton in 2008 continues to open the central towns of Wilson's Mills, Smithfield, Selma, Pine Level and Four Oaks to increased growth opportunities. US Highway 70 from the City of Raleigh to the Town of Morehead City has recently been designated a "future interstate" and high priority corridor by the US Department of Transportation. Planned improvements to bring the highway to a fully controlled access highway/interstate quality in the future should enhance economic growth prospects for the County and the entire Highway 70 Corridor. In addition, more people are moving further southeast along Interstate Highway 40 into the McGee's Crossroads area.

The County is uniquely positioned within the geographic center of the State. The Town of Smithfield, the County seat, and the Town of Benson are located midway along the Eastern Seaboard of the United States and benefit from the intersection of transcontinental Interstate 40 and Interstate 95. In addition, the Town of Selma offers a railhead at which the Norfolk Southern Railroad intersects the CSX mainline.

50 MILE RADIUS

New York, New York 502 Miles

Washington, D.C. 273 Miles



Atlanta, Georgia 419 Miles

Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the County to be as follows:

1990	2000	2010
81,306	121,965	168,878

As of July 1 of each year, the North Carolina Office of State Budget and Management has estimated the population of the County to be as follows:

2010	2011	2012	2013	2014
169,612	172,622	174,723	177,312	180,048

Per capita income data for the County and the State are presented in the following table:

Year	County	State
2010	$32,521	$35,569
2011	33,096	36,622
2012	34,785	38,655
2013	33,862	37,764
2014	34,930	39,171

Source: United States Department of Commerce, Bureau of Economic Analysis.

Commerce, Industry and Agriculture

The County's overall economy is diversified with a balance of industrial, expanding commercial, and agriculture enterprises. The production of pharmaceutical products, heavy equipment, electronic components and other products, along with durable goods assembly operations and distribution centers have provided relatively stable employment to County residents and have been the object of significant capital expenditures over the years. The County is currently experiencing a resurgence of economic growth in the wake of the national slowdown. The County's average labor force for the calendar year 2015 was 87,396. The County's estimated average unemployment rate for calendar year 2015 was 5.1%, as compared to the State's estimated average unemployment rate of 5.7% for the same period. The County's estimated unemployment rate for December, 2015 was 4.8%, as compared to the State's estimated unemployment rate for the same period of 5.3%.

The western portion of the County has directly benefited from its proximity to (1) the Research Triangle Park, approximately 6,900 acres of land set aside for research and research-oriented manufacturing activities, which includes more than 200 research and development facilities employing over 39,000 persons; (2) regional employers in and around the City of Raleigh, the State's capitol and a major urban center, which include private sector opportunities with Fortune 500 companies, federal and State government positions and expanding medical service careers; and (3) numerous institutions of higher education including North Carolina State University in the City of Raleigh, The University of North Carolina in the Town of Chapel Hill, Duke University and North Carolina Central University in the City of Durham and East Carolina University in the City of Greenville.

The County's employment base includes approximately 10% of all biopharmaceutical jobs in the State. The area southeast of the Town of Clayton is home to two large international pharmaceutical companies, as well as a special purpose Research and Training Zone, which is an economic development and training district created through special legislation that supports the special needs of the local pharmaceutical industries (see "Education" herein).

The largest manufacturing employer in the County is Grifols Therapeutics Inc. ("Grifols"), an international manufacturer of blood plasma related products for a variety of applications, employing approximately 1,650. The blood plasma facility has been in operation since 1981 and is the primary Grifols manufacturing facility. A newly opened 155,000 square-foot, $370 million North Fractionation Facility ("NFF"), which created an additional 200 jobs, is the world's largest and one of the most technologically advanced plasma fractionation facilities that resulted in increasing production capacity from 3.2 million liters to 6 million liters in 2015. The NFF was named the 2014 Facility of the Year for Project Execution by the International Society for Pharmaceutical Engineering. Grifols also recently completed construction of a new 59,000 square-foot warehouse and began construction on a new three-story 100,000 square-foot office building at the Clayton complex.

In March 2016, Grifols announced plans to invest $210 million building two new plants at the Clayton complex. The company expects to begin construction on a new plasma fractionation plant in the first quarter of 2017, with the facility scheduled to begin production in 2022. The plant will be used to extract different fractions that contain proteins with therapeutic uses. The second facility will be a purification plant for intravenous immunoglobin. It will be used to process two of the three fractions produced by the plasma fractionation plant and is scheduled to begin operating in late 2021. Grifols anticipates that construction of the two new plants will create approximately 250 new jobs.

Novo Nordisk Pharmaceutical Industries ("Novo Nordisk"), the world's largest supplier of insulin products, has maintained a presence in the Clayton area since 1996, and currently employs approximately 700. The diabetes care products manufactured at the Clayton plant are marketed in North America, Europe, New Zealand and Australia. Novo Nordisk recently completed an approximately $102 million expansion at its Clayton facility which created approximately 110 new jobs.

In August 2015, Novo Nordisk announced plans to build a new $1.2 to $1.85 billion, 200,000 square-foot bio-processing facility adjacent to its current site in the Clayton area. The ground breaking for the project was held on March 28, 2016. It is anticipated that up to 3,000 workers will be employed during construction and that the new facility will be operational in 2020. The expansion is anticipated to create approximately 690 jobs with an average annual salary of approximately $68,420. The new positions will span manufacturing, administrative, technical services and support personnel.

A third pharmaceutical bio-processing company employing approximately 250, Hospira, Inc., closed its plant in the County in June, 2015. The Hospira facility, located adjacent to the existing Grifols manufacturing facility, has been acquired by and incorporated into Grifols' manufacturing operations.

Shortly after the August 2015 Novo Nordisk expansion announcement, 3C! Packaging, Inc. ("3C!") announced it will invest approximately $3 million to expand its operations in the Clayton area and hire an additional 20 employees. The company produces packaging for pharmaceutical products and its customers include Grifols and Novo Nordisk. 3C! has operated in Clayton since 1983 and currently employs approximate 180 people.

Another large manufacturing employer in the County is the Building and Construction Products Division of Caterpillar Inc. ("CAT"), a Fortune 100 company, located near the Town of Clayton. The facility currently assembles and distributes all CAT rubber tire front-end loaders for North America and the export market. A recent $18.5 million expansion to the assembly facility that is expected to add approximately 200 jobs over a five year period is operational. The assembly plant currently has approximately 450 employees.

In addition, CAT completed construction of its $14.5 million Caterpillar Machine Development Center on 252 acres adjacent to its Clayton assembly facility in July, 2013. The approximately 55,000 square-foot facility is where prototype machines are designed, tested and subjected to customers' hands-on operation and critique. At a state-of-the-art heavy equipment test track located at the center, engineers can get hands-on experience testing out new equipment, with a focus on design elements than can be incorporated into new Caterpillar machines. The center employs approximately 240 designers, engineers, and technicians.

Further east in the County along the Interstate Highway 95 ("I-95") corridor, several economic development expansions have been announced or have taken place in recent months as follows:

- U.S. Lumber, a leading distributor of specialty building materials in the Southeast and Mid-Atlantic United States, moved its warehouse and distribution operations from the City of Raleigh and expanded into the former Channel Master facility adjacent to I-95 in the Town of Smithfield. The company hired approximately 15 new employees and now has a total of approximately 50 at the Smithfield location.

- Eco-Energy Distribution Services ("Eco-Energy"), a leading biofuel supply chain company, announced it would construct a distribution facility located within the oil terminal complex in the Town of Selma and expects to employ approximately 15 at the new facility. The company has entered into a service agreement with Marathon Petroleum Co. LP ("Marathon"). Marathon announced it will upgrade its existing terminal at the oil terminal complex to receive, store and load biofuels. Together, Eco-Energy and Marathon will invest approximately $482,000 and will receive approximately 96 tank cars per day, with the aim of supplying outbound ethanol distribution via pipeline and truck delivery to gasoline-blending locations.

- Archer Daniels Midland ("ADM"), a food-processing and commodities-trading corporation, announced its plan to construct a rail facility and ethanol offloading system in the Town of Selma. ADM will partner with Kinder Morgan Inc. ("Kinder Morgan"), a large energy-infrastructure company in North America. Kinder Morgan will build the offloading facilities at an approximate cost of $480,000 at nearby Bailey Feed Mill, which owns and operates a bulk handling and liquid transload facility in the Town of Selma, and will build a 2.6-mile pipeline to connect the offload system to its existing tanks at the Selma oil terminal complex. This will allow Kinder Morgan to blend ethanol at the terminals.

- AVINTIV, formerly Polymer Group, Inc., announced completion of a new manufacturing line at its plant in the Town of Benson, a more than $48 million investment. The new line expands the company's Spinlace technology, enabling it to produce and deliver innovative nonwovens for the cleaning, hygiene and healthcare markets. The expansion created approximately 30 new jobs.

- Iowa 80 Group, which owns the Kenly 95 Truckstop in the Town of Kenly at I-95 Exit 106, announced it would invest approximately $4 million to expand the truck stop by adding approximately 24,000 square feet to its retail operations. Once completed, the truck stop will be one of the largest on the East Coast. Current employees total approximately 190 and the expansion is expected to add approximately 60 new employees.

- Airflow Products Company, Inc. ("Airflow"), an existing manufacturer of air filters in the County, purchased an existing facility in the Town of Smithfield and expanded operations, investing approximately $1,500,000 and creating approximately 35 new jobs.

- Atlantic Resources Inc. ("ARI"), a locally owned specialty contractor announced that it will be merging three locations into a new facility in the Town of Smithfield, which will become its headquarters. The company recently purchased an 80,000 square foot existing manufacturing building in Smithfield that had been vacant for 20 years and is currently renovating the facility. ARI received a $175,000 building reuse grant from the NC Department of Commerce and will invest an additional $1.1 Million and create approximately 30 new jobs. The company provides industrial and agriculture fabrication maintenance support to companies including Caterpillar, Volvo and Honda and will build control cabinets, packaging racking, machine prototypes, and custom material handling products at the Smithfield location. ARI will also move its subsidiary company, ARI Designs, a nationwide design company for high definition graphics, to the same location.

Significant new employers to the County in recent years include:

- Sysco Corporation, the largest food service marketing and distribution company in North America, currently employing approximately 500.

- The Middleby Corporation, which acquired the assets of Turkington USA located just outside of Clayton in early 2012, and changed the name to Baker Thermal Solutions, currently employing approximately 100. Baker updated the equipment in the former Turkington facility, continues to manufacture industrial ovens and baking equipment and plans to expand the lines formerly produced by Turkington.

- Automatic Rolls of NC, a division of Northeast Foods Inc., and a national contract baker for the commercial and fast-food industries, currently employing approximately 135. Automatic Rolls of NC has been a key supplier to McDonald's since 1965 and is currently McDonald's largest supplier of buns in the United States.

- Becton, Dickinson and Company, a global medical technology company that manufactures and sells medical devices, instrument systems and reagents, currently employing approximately 175.

- Coca-Cola Bottling Company relocated a major distribution facility from the City of Raleigh to Clayton, currently employing approximately 185. Coca-Cola recently announced that it will invest approximately $5 million in the Clayton facility by adding a new robotic order filling system.

In September 2014, Duke Energy and Piedmont Natural Gas announced the two utilities had selected Dominion Energy to build and operate a 564-mile Interstate natural gas pipeline from West Virginia, through Virginia and into eastern North Carolina to meet the region's rapidly growing demand for natural gas. Named the "Atlantic Coast Pipeline", the project has an estimated cost of $4.5 to $5 billion and an initial capacity of 1.5 billion cubic feet of natural gas per day. In September 2015, the energy companies submitted an application to the Federal Energy Regulatory Commission for approval, with approval anticipated by Summer 2016. The current schedule calls for the pipeline to be operational by the end of 2018. The pipeline will follow Interstate 95 through Johnston County, and is expected to help the County attract new, energy-dependent businesses and industries.

Dominion Energy has also announced that one of two North Carolina offices for the Atlantic Coast Pipeline will be located in the County just east of the Town of Smithfield. The office will oversee operation and maintenance of the pipeline, and will be on the same grounds as a metering and regulation station the company will build for the pipeline. The Smithfield office is expected to employ five full-time employees to be responsible for inspecting and monitoring the pipeline and maintaining the corrosion-protection systems. The company expects to start construction of the pipeline and the Smithfield office in early 2017.

The County is also becoming a center for the medical services industry and related employment. Johnston Medical Center – Smithfield, formerly named Johnston Memorial Hospital, is located in the Town of Smithfield. The Town of Clayton is also the site of Johnston Medical Center – Clayton, a full service hospital, which opened an approximately $30 million outpatient center in 2009 and an approximately $50 million 50-bed inpatient facility in early 2015 (See "Medical Facilities" herein). The area surrounding JMC-C is attracting significant new retail, office (including medical offices), and high-density residential development. Two additional medical facilities are also located in the Town of Clayton, one affiliated with Duke University Health System (80,000 square-feet) and the other affiliated with WakeMed (38,000 square-feet), the largest regional hospital in the Raleigh-Durham-Chapel Hill area.

New and expanding employers in the County in recent years are summarized in the table below:

Calendar Year	Company	Product/Service	Initial Investment	Approximate Number of New Jobs
	New Companies			
2005	Sysco Corporation	Food distribution	$45,000,000	400
2006	Martin Marietta Aggregates	Stone quarry	50,000,000	50
2007	Raleigh Precision Products	Injection moulding	3,000,000	40
2007	Quality Stone Veneer	Stone Products	1,000,000	45
2009	Wal-Mart (New Cleveland Store)	Retail	14,000,000	500
2009	Middleby Corp./formerly Turkington USA	Oven/baking equipment manufacturer	4,500,000	155
2010	Northeast Foods Inc.	Contract baker	25,400,000	135
2010	Becton, Dickinson and Company	Medical device manufacturer	38,400,000	175
2011	Coca-Cola Bottling Company	Soft drink distribution	3,000,000	185
2015	Atlantic Resources Inc.	Specialty contractor	1,100,000	60
2015	Mati Energy	Energy drinks	1,000,000	8
2015	Eco-Energy Distribution Services	Biofuel supplier	268,000	15
	Expansions of Existing Companies			
2006	OPW Fueling Containment Systems	Flexible underground tubing	$3,600,000	78
2007	AVINTIV	Nonwoven textiles	20,000,000	N/A
2007	Direct Distributors, Inc.	Farm implements	2,500,000	100
2007	3C Packaging Inc.	Pharmaceutical packaging	4,000,000	115
2008	Iowa 80 Group	Truck stop	8,000,000	100
2009	AVINTIV	Nonwoven textiles	11,000,000	N/A
2009	Caterpillar	Heavy equipment manufacturer	N/A	120
2010	Grifols Therapeutics Inc.	Blood plasma products	380,000,000	100
2010	Novo Nordisk Pharmaceutical Industries	Insulin production	73,000,000	85
2012	Caterpillar	Heavy equipment manufacturer	33,000,000	200
2013	House-Autry Mills	Breading products	20,000,000	10
2013	Coca-Cola Bottling Company	Soft drink distribution	5,000,000	N/A
2013	Novo Nordisk Pharmaceutical Industries	Insulin production	102,000,000	110
2013	Teknion Studio	Office furniture	1,666,000	50
2014	Grifols Therapeutics Inc.	Blood plasma products	92,000,000	N/A
2014	AVINTIV	Nonwoven textiles	48,000,000	30
2014	Bailey Feed Mill	Grain/feed mill	1,000,000	N/A
2014	General Metals	Sheet metal products	1,000,000	N/A
2015	Novo Nordisk Pharmaceutical Industries	Insulin production	1,800,000,000	690
2015	Iowa 80 Group	Truck Stop	4,000,000	60
2015	3C! Packaging, Inc.	Pharmaceutical Packaging	3,000,000	20
2015	Airflow Products Company, Inc.	Air filters	1,500,000	35
2015	Marathon Petroleum Co.	Oil refining/distribution	214,000	N/A
2015	Bailey Feed Mill	Grain/feed mill	480,000	N/A
2016	Grifols Therapeutics Inc.	Blood plasma products	210,000,000	250

Source: Johnston County Economic Development Office.

The following table lists the major employers in the County:

Industry	**Product**	**Approximate Number of Employees**
Manufacturing:		
Grifols Therapeutics Inc.	Pharmaceuticals	1,650
Novo Nordisk Pharmaceutical Industries	Insulin production	780
Caterpillar, Inc.	Wheeled loaders	690
Flanders/PrecisionAire	Air filters	450
AVINTIV	Nonwoven textiles	250
3C! Packaging, Inc.	Pharmaceutical packaging	190
Sona BLW Precision Forge	Forged auto parts	150
Environ-OPW	Flexible underground tubing	145
Automatic Rolls of NC	Baker for McDonald's	135
Conestoga Wood Specialties	Cabinets	130
Middleby Corporation	Oven/baking equipment	120
Carolina Electronic Assemblers	Electrical assembly	110
Raven Antenna Systems	Satellite systems/cable components	100
Airflow Products Company, Inc.	Air filters	100
Carolina Packers, Inc.	Meat processing	100
Natvar	Medical tubing	100
Non-Manufacturing		
Johnston County School System	Education	4,000
Johnston Health	Medical care	1,735
Wal-Mart (3 stores)	Retail	1,450
Johnston County Government	County government	1,100
Johnston Community College	Education	665
Sysco Corporation	Food products distribution	500
Carolina Premium Outlets	Retail	300
Coca-Cola Bottling Company	Soft drink distribution	280
Iowa 80 Group	Truck stop	190
Johnston Correctional Institutional	State prison	180
Town of Smithfield	Municipal government	180
Becton, Dickinson and Company	Medical product distribution	175
Town of Clayton	Municipal government	165
Smithfield Foods, Inc.	Food products distribution	165
Direct Distributors, Inc.	Farm implements	100
NNE Pharmaplan	Engineering services	100

Source: Johnston County Economic Development Office and Survey of Individual Enterprises. Data as of February 2016.

The County's agricultural economy is diversified with field crops, livestock, poultry, horticultural crops, forestry, agritourism, and agribusiness. This diversification in the local agricultural economy complements the industrial and commercial sectors. The major sources of farm income are from the production of tobacco, sweet potatoes, nursery and greenhouse crops, forestry and forest products, cattle, swine, turkeys, vegetable crops, cotton, grain, peanuts, and a mixture of other crops and livestock. There is a strong demand for leasing farmland in the County for the production of crops. The County routinely ranks among the top two to three counties in the nation in the production of sweet potatoes and flue-cured tobacco, and among the top counties in North Carolina in the production of greenhouse and nursery crops. Flue-cured tobacco continues to be the primary cash crop for local farms. Farm businesses have made significant investments in equipment to both continue and modernize agricultural production, while also diversifying farm production with vegetable crops and livestock. At the present time, there is a strong demand for the products and commodities produced on farms located in the County.

Year	Land in Farms (Approximate Acres)	Estimated Farm Income
2009	194,090	$240,713,992
2010	194,090	235,960,001
2011	194,090	264,394,182
2012	194,827	279,915,060
2013	194,827	N/A [1]
2014	194,827	303,780,680

Source: Johnston County Cooperative Extension Service.
[1] Estimated farm income not available for calendar year 2013.

The County has also experienced growth in the retail sector in recent years. Many shopping centers offering a variety of retailers, grocery chains and specialty shops are located in the County. Carolina Premium Outlets, the largest retail complex in the County, is located along Interstate 95 in the Town of Smithfield, attracting regional shoppers as well as tourist traffic. The outlet center includes 83 stores with over 443,000 square-feet and several outparcels.

Taxable retail sales in the County for the fiscal years ended June 30, 2011 through 2015 and the eight-month period ended February 29, 2016 are shown in the following table:

Fiscal Year Ended/Ending June 30	Total Taxable Sales	Increase Over Previous Year
2011	$1,158,171,151	7.6%
2012	1,226,528,835	5.9
2013	1,269,711,827	3.5
2014	1,326,698,697	4.5
2015	1,449,796,135	9.3
2016 (8 months)	1,010,764,405	- [1]

[1] Taxable retail sales for the comparable eight-month period ended February 28, 2015 totaled $963,430,364.
Source: North Carolina Department of Revenue, Sales and Use Tax Division.

In the years prior to the national economic downturn, the County experienced significant residential development and is currently experiencing a resurgence of development in the wake of the national slowdown. In particular, the western and northern portions of the County in and around the Town of Clayton and the Cleveland community have experienced significant residential development over the past decade, with a recent increase in demand for new housing. Approximately 8,000 homes of varying sizes and price levels are in various stages of planning and expected to be built in communities within walking distance of various planned amenities and schools.

The residential and commercial growth is reflected in the following table which illustrates building activity in the County:

VALUE OF BUILDING PERMITS

	New Commercial		Residential		
Fiscal Year	Number	Value	Number	Value	Total Value
2011	33	$32,539,485	463	$79,306,362	$111,845,847
2012	43	18,045,074	567	93,018,348	111,063,422
2013	45	28,605,022	772	135,471,878	164,076,900
2014	42	22,409,053	952	170,866,309	193,275,362
2015	66	44,978,534	1,074	188,871,227	233,849,761
2016(7 mos.)	51	37,952,108	716	129,357,964	167,310,072

Source: County Inspection Department.

Employment

The North Carolina Employment Security Commission has estimated the unemployment rate in the County to be as follows:

	2012	2013	2014	2015	2016		2012	2013	2014	2015
January	9.2%	8.5%	6.0%	5.2%	5.2%	July	8.8%	7.2%	6.0%	5.5%
February	9.0	7.9	6.0	4.9	5.2	August	8.5	6.8	5.9	5.5
March	8.5	7.4	5.8	4.8	N/A	September	7.8	6.3	5.2	4.9
April	8.0	7.0	5.2	4.6	N/A	October	7.8	6.2	4.9	5.0
May	8.4	7.2	5.6	5.2		November	7.8	6.0	4.8	4.9
June	8.7	7.5	5.7	5.5		December	7.8	5.7	4.5	4.8

Government and Major Services

GOVERNMENT STRUCTURE

The County has a commissioner-manager form of government with seven Commissioners comprising the governing body. The Commissioners are elected at large on a staggered basis. The County Manager is appointed by and serves at the pleasure of the Board. The Board annually adopts a balanced budget and establishes a tax rate for the support of County programs. The County Manager has the responsibility for administering these programs in accordance with policies and the annual budget adopted by the Board.

EDUCATION

The County has a consolidated County-wide public school system, operated and administered by an elected Board of Education, which appoints a school superintendent. State law provides funding for a basic minimum educational program for each public school administrative unit or district for operational costs only, which is supplemented by the County and federal governments. The building of public school facilities has been a joint State/County effort. Local financial support is provided by the County for capital and operating expenses not provided by the State or federal government. For the fiscal year ending June 30, 2016, the County has appropriated $53,993,000 for current expenses and $1,030,000 capital outlay for the school system and $34,155,841 for school system-related debt service.

The school system has approximately 34,765 students and approximately 4,000 employees. Current school facilities consist of 44 schools, including a Middle College High School on the campus of Johnston Community College, and an Early College Academy also located on the campus of Johnston Community College. The Middle College High School is for students that desire to earn a high school diploma and matriculate to higher education without the extra-curricular offerings of a traditional high school. The Early College Academy, which opened in the Fall of 2008, allows students to take high school classes on a community college campus and graduate in five years with a high school diploma and an associate degree or two years' credit for college transfer.

The following table illustrates the number of schools and average daily membership of the public school system for the past five years:

	Elementary Schools (K-5)		Intermediate Schools (6-8)		Secondary Schools (9-12)		Total
School Year	**No.**	**ADM**	**No.**	**ADM**	**No.**	**ADM**	**ADM**
2011-12	22	15,775	11	7,852	11	9,116	32,743
2012-13	22	15,793	11	8,119	11	9,418	33,365
2013-14	22	15,758	11	8,248	11	9,794	33,800
2014-15	22	15,733	11	8,306	11	10,057	34,096
2015-16	22	15,981	11	8,280	11	10,504	34,765

Note: ADM or average daily membership, determined by actual records at the schools, is computed by the North Carolina Department of Public Education on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments, as well as other allocations.

Source: County School Superintendent's office.

In November 2013, voters in the County approved $57,000,000 of general obligation school bonds. These school bonds will finance two new middle schools, the conversion of an existing middle school to an elementary school, classroom additions at an existing elementary school, a new gymnasium at a high school, renovations at five existing high schools and technology infrastructure upgrades. To date, $36.5 million of these school bonds have been issued. The Bonds now offered include the remaining $20.5 million of such school bonds.

From February 2000 to the present, the County has financed approximately $426 million in new school facilities and improvements to existing school facilities in the County. New school facilities in the County during this time period include seven elementary schools, eight middle schools and three high schools. Additions and/or renovations at most existing school facilities in the County have taken place during this time frame as well.

In addition to the public school system, there is also one K-12 charter school located in the County.

The County provides current expense funds and a major portion of capital outlay funds for Johnston Community College (the "College"), which is a part of the State-wide system of community colleges and technical institutes. The College, which is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools, provides advanced and professional, technical and vocational training beyond the high school level. The College offers curriculum degree programs, and an additional 29 diploma and certificate programs, as well as a variety of continuing education programs to support industry, public safety fields such as fire, law enforcement, and emergency medical services ("EMS"), medical fields, other occupational fields, extension services and varied community services. Fall 2015 enrollment (headcount) was at approximately 4,073 curriculum students and approximately 3,989 continuing education students. The College has recently been chosen by the Aspen Institute to compete with 149 other colleges for the Aspen Prize for Community College Excellence. The County has appropriated $4,139,919 for operating costs and $500,000 for capital outlay for the College for the fiscal year ending June 30, 2016. The College receives a majority of its funds for its annual budget from federal and State sources.

In November 2013, voters in the County also approved $7,000,000 of general obligation community college bonds to finance renovations to existing community college facilities, new facility design costs and updates to the College's Master Plan. $500,000 of such bonds was issued in March 2014. The Bonds now offered include the remaining $6.5 million of such community college bonds.

The main campus of the College is located in the Town of Smithfield and consists of facilities for both curriculum and continuing education programs, as well as administration and library resources. The College also offers educational programs at its Cleveland Campus (the "Cleveland Center") and the Rudolph Howell and Son Environmental Learning Center ("Howell Woods"). Located 15 miles west of the main campus in the Cleveland community, the Cleveland Center is a 7,000 square-foot building that offers numerous community service, computer, occupational training, adult basic education and GED courses. Howell Woods is located approximately 15 miles southeast of the main campus and consists of 2,850 acres of farmland, hardwood and pine forests, and wetlands, and provides a facility for workshops, seminars and classes. The College also has outreach centers in the towns of Kenly and Benson that offer numerous community service, computer, occupational training, GED preparation and adult basic education courses. In addition, the College offers both continuing education and curriculum classes and programs at area industrial sites. The College also houses the Early College Academy and the Middle College High School, which represent a partnership between the College and Johnston County Schools to provide flexible, student-centered learning opportunities for high school students in the County.

Through a collaborative effort with the County's two major biopharmaceutical employers (Grifols, S.A. and Novo Nordisk Pharmaceutical Industries) and North Carolina State University, the College designed and programmed a $4 million, 30,000 square-foot Workforce Development Center (the "Center") near the Town of Clayton. The Center is an educational and technical skills training center with a focus on life sciences programming, business training, and workforce development in biotechnology and other sciences. The facility opened in 2005 and offers a venue for these pharmaceutical companies to provide shut down training, updated program and procedure training, skill enhancement and program certification for their industry. The Center ensures that the pharmaceutical employee base is updated with state-of-the-art techniques and procedures. Initial development costs of the Center were financed through a grant from the Golden LEAF Foundation. Through special legislation, the County created an economic development and training district, the Research Training Zone, to support the Center. The pharmaceutical companies, the Johnston County Regional Airport and two other firms are included in the district's boundaries and are subject to a special tax which is used to support the facility. Each year, over 11,177 (headcount) students participate in continuing education courses and approximately 45 students are currently involved in the Bioprocessing Technology curriculum program. the Center was named one of the top 50 Government Innovations for 2007 by the Ashe Institute of Harvard University.

The County is also within commuting distance of numerous institutions of higher education including North Carolina State University in the City of Raleigh, The University of North Carolina in the Town of Chapel Hill, Duke University and North Carolina Central University in the City of Durham and East Carolina University in the City of Greenville.

TRANSPORTATION

The expansion, maintenance and improvement of primary and secondary highways within the County are primarily the responsibility of the State. Each municipality within the County bears the primary responsibility for its local street systems. The County has no financial obligations with respect to construction and maintenance of roads.

The County is served by two Interstate Highways, I-95 (running generally north-south) and I-40 (running generally east-west). The County is served by four US Highways: 70, 70A, 301 and 701; and ten North Carolina Highways: 27, 39, 42, 50, 55, 96, 210, 222, 231, and 242. In addition to the Interstates, US and NC Highways, there are approximately 1,200 miles of secondary roads serving the County. Total mileage of roads on the highway system in the County is approximately 1,500 miles. In 2008, the North Carolina Department of Transportation completed a 10.7 mile bypass around the Town of Clayton (the U.S. Highway 70 Bypass). US Highway 70 from the City of Raleigh to the Town of Morehead City has recently been designated a "future interstate" and high priority corridor by the US Department of Transportation. Planned improvements to bring the highway to a fully controlled access highway/interstate quality in the future should enhance economic growth prospects for the County and the entire Highway 70 Corridor.

Greyhound provides daily bus service to the County, with four arrivals and departures daily.

CSX Transportation and Norfolk Southern Corporation provide rail service in the County to many local industries as well as passenger service for Amtrak. The two railroads converge in the Town of Selma, west of Interstate 95.

Air transportation is provided by the Johnston Regional Airport located near the Town of Smithfield, the County seat. The airport is operated by the Johnston County Airport Authority whose board members are appointed by the County Board. With five fixed-based operators providing aircraft fueling, maintenance, avionics and flight training, the airport has a 5,500-foot paved and lighted runway, a paved and lighted parallel taxiway, an instrument landing system with associated approach lighting and an Automated Weather Observation System. Currently, 121 aircraft are based at the airport, including one helicopter air ambulance service. The airport furnishes satellite services for the Raleigh-Durham International Airport located approximately 35 miles from Smithfield. The County provides assistance to the airport for capital improvements.

Johnston County Area Transit System ("JCATS") is an intra-County mass transit bus/van system managed by Community and Senior Services of Johnston County, formerly Johnston County Council on Aging. JCATS currently operates 25 vehicles that run regular routes for clients of the Johnston County Department of Social Services, the Johnston County Mental Health Center and other federal aid beneficiaries. In addition to its regular routes, JCATS shuttles some clients to area employers. For the fiscal year ending June 30, 2016, the County has appropriated $117,421 for the operation of JCATS.

HUMAN SERVICES

Social Services — The County Department of Social Services provides a wide range of services for needy individuals and families.

Approximately 55,000 County residents, or 30% of the County's population, are served by the Department of Social Services. Services provided are Child Day Care, Family Planning, Adoption, Foster Care, Family Preservation, Child Abuse and Neglect Investigations, Temporary Assistance for Needy Families ("TANF"), Domestic Violence, Nursing and Adult Home Placement, In Home Aide Services for the Elderly, Community Alternative Program for Disabled Adults, Adolescent Parenting Program, Adult Day Care, Adult Care Home Monitoring, Adult Protective Services and Aid to the Blind Services. For the fiscal year ending June 30, 2016, the County's Social Services budget is $74,352,425, of which $64,110,679 is funded with Federal funds, $3,329,024 with State funds and $6,912,722 in funds appropriated by the County.

Public assistance programs provided by the County include programs such as Work First, Medicaid, Food Stamps, Low Income Energy Assistance, Crisis Intervention, Adoption Assistance and State-County Special Assistance to Adults. For the fiscal year ending June 30, 2016, the County's public assistance programs budget is $57,616,836 with related services and administration budgeted at $16,735,589.

Public Health Department — The primary responsibility of the County Public Health Department is the prevention of disease and adverse environmental conditions. This is accomplished through a variety of health care services and environmental regulatory efforts. The programs are staffed by approximately 147 health care professionals including physicians, psychiatrists, licensed counselors, public health nurses, environmental sanitarians, laboratory technicians, health educators, nutritionists, social workers, administrators, health care aides and a skilled clerical staff.

The Public Health Department has a wide array of services within four divisions: Administrative, Preventive Health, Behavioral Health (see "Mental Health" below), and Environmental Health. Services include maternal and child health, health education, family planning, adult health primary care services, communicable disease control, behavioral health services including inpatient, outpatient, and hospital consults, WIC (food supplementation), biological/natural and human hazards preparedness, general environmental regulation, well inspections, septic inspections, restaurant inspections, public pools inspection, milk sanitation and migrant camp inspections.

The Behavioral Health Division, which was transferred to the Public Health Department in January 2013 from the County Mental Health Center, provides both outpatient and inpatient/hospital services through the use of psychiatrists, nurse practitioners, social workers, psychologists, and nurses. Outpatient services include diagnostic assessments, medication evaluation and management, time limited supportive group therapy, walk-in crisis services, administration of long-acting injectable medications, and connection to therapeutic resources. Assistance is provided with medications through the use of samples and reduced cost medications and connection to patient assistance programs. Inpatient/hospital services include Johnston Health Emergency Department consultations, hospital unit consultations and inpatient behavioral health services. The Johnston County Public Health Department Behavioral Health Division provides psychiatrists, nurse practitioners, and social workers to provide care to the patients admitted to the Johnston Medical Center - Smithfield's 20-bed Behavioral Health Unit. The Behavioral Health Unit provides care to patients with a wide variety of mental illness diagnoses with special focus on those patients with severe persistent mental illness.

The Health Director serves at the pleasure of the local Board of Health which is appointed by the Board of Commissioners. The Board of Health is empowered to make rules to protect citizens' health. For the fiscal year ending June 30, 2016, the Health Department's budget is $12,173,506, of which the County appropriated $7,173,506.

Mental Health— The County Mental Health Center is the Mental Health, Substance Abuse and Developmental Disabilities Area Authority and Local Management Entity for the County. In January 2013, psychiatric and other direct clinical services formerly provided by the County Mental Health Center were transferred to form a Behavioral Health Division in the County Public Health Department. The County Mental Health Center became a contractual partner with Alliance Behavioral Healthcare, a managed care organization ("MCO"), for behavioral health services for Medicaid and indigent consumers in the County. Alliance serves Durham, Cumberland and Wake Counties as well. As part of the MCO, the County Mental Health Center provides care coordination to consumers with both mental health and intellectual/developmental disabilities, support and technical assistance to local providers, and community relations leadership and support in the areas of housing, systems of care, courts and jails, as well as a Geriatric and Adult Care Home service. The County Mental Health Center also provides consultation and education programs to citizens of the County in a variety of areas pertaining to mental health, substance abuse and intellectual/developmental disabilities. The County Mental Health Center's budget for the fiscal year ending June 30, 2016 is $3,018,638.

MEDICAL FACILITIES

Johnston Health

The primary health care system in the County is Johnston Health, which includes Johnston Medical Center-Smithfield ("JMC-S"), an acute-care hospital located in the Town of Smithfield, and Johnston Medical Center-Clayton ("JMC-C"), a full service hospital located near the Town of Clayton. These facilities have a combined medical staff of approximately 270 physicians representing a wide range of disciplines and currently employ approximately 1,735.

JMC-S, formerly Johnston Memorial Hospital, opened in 1951 as a County-owned hospital. It offers a full range of services from 24-hour emergency services to robotic-assisted surgery. In 2006, the County's Board of Commissioners established Johnston Memorial Hospital Authority (the "Authority"), a hospital authority created under the North Carolina Hospital Authorities Act. The Authority, doing business as Johnston Health, is governed by a board of commissioners comprised of ten members appointed by the County's Board of Commissioners. While the County has retained ownership of JMC-S, the medical facility is now leased to and operated by the Authority.

In 2007, the Authority began a major expansion program and in 2010, JMC-S opened a new five-story patient tower that includes 101 inpatient suites, a cafeteria, modern operating rooms and a 16-bed intensive care unit. This $62 million project also included remodeling areas of the original building. In addition, JMC-S recently expanded and updated its birthing center, which includes four labor and delivery suites, 16 postpartum-care rooms and a nursery.

In 2009, the Authority opened JMC-C on a 75-acre site in northern Johnston County near the Town of Clayton. Originally, JMC-C consisted of a $30 million outpatient center with a free-standing emergency department, two outpatient operating rooms, a lab and comprehensive outpatient diagnostic imaging. A three-story physician office building, Johnston Professional Plaza, is also located on the JMC-C Campus. In the Fall of 2012, the Authority received approval from the State Division of Health Services Regulation to add 23 inpatient beds to 27 previously approved for transfer from JMC-S to JMC-C. Construction of the 50-bed, 97,000 square-foot addition began in the Fall of 2013 at a cost of approximately $50 million and the addition opened in January, 2015. The Authority expects the JMC-C facility to eventually have as many as 100 inpatient beds.

The Authority is currently licensed for 199 beds. Fifty of those beds are in JMC-C, 101 are in the five-story tower at JMC-S and the remaining 48 beds are in the older wings of the JMC-S facility.

The Authority also provides hospital support services, medical ancillary services, including a 28,000 square-foot wellness center, and physician office space at the Johnston Medical Mall ("JMM"). The JMM facility was established in 2003 when JMC-S purchased and renovated property adjacent to the JMC-S campus. The JMM facility is also leased to the Authority. The Authority also provides physician office space at the Medical Arts Pavilion on the JMC-S campus and operates Johnston Medical Associates, which are family care practices in Clayton and Kenly, as well as an urgent care center in JMM. These centers bring both physicians and ancillary services to surrounding communities in the County. In addition, Johnston Health provides radiation oncology services at JMM and Johnston Professional Plaza through a joint venture with Rex Healthcare. The Johnston County Health Department is located on the JMC-S campus and was added as part of an expansion financed by the County in 1998 that also included a new emergency room and a non-emergent care facility.

In February 2014, the board of commissioners of the Authority completed negotiations with UNC Health Care for a partnership. UNC Health Care provided $57.6 million in exchange for part ownership of the newly formed Johnston Health Service Corp. A board of 11 commissioners from Johnston Health and six from UNC Health Care oversee daily operations of JMC-S and JMC-C. Johnston Health was formerly managed by Quorum Health Resources, Inc.

Other Medical Facilities

The fast growing western portion of the County which includes the Town of Clayton is home to two separate medical facilities, WakeMed Clayton Medical Park and Summit Medical Park. WakeMed, one of the region's largest medical providers, serves the area through WakeMed Clayton Medical Park, a 38,000 square-foot facility. The complex provides outpatient services, including laboratory, radiology and outpatient rehabilitation services. The complex includes physician offices that specialize in cardiac, pediatric, adolescent, obstetrics, gynecology, plastic surgery, podiatry, urology and ear, nose and throat medicine. Summit Medical Park consists of four buildings providing outpatient surgery and rehabilitation services, as well as physician office spaces leased to doctors affiliated with Duke University Health System.

PUBLIC SERVICE ENTERPRISES

The County owns and operates water, wastewater and solid waste systems.

A central water system has been constructed by the County that includes a 12 million gallon per day ("MGD") water treatment plant outside the Town of Wilson's Mills, bulk water purchase agreements with public utilities in adjacent counties, and a network of transmission mains to all eleven municipalities and into the rural areas of the County. The transmission network is supported by interconnecting 12-inch through 24-inch mains, 20 booster pumping stations, and eleven elevated storage tanks with an aggregate storage volume of 3.7 million gallons. Sixteen water districts have been formed in the County, the first of which became operational in May 1996. The County serves approximately 31,500 residential customers and 860 business/industrial customers through the water districts. Approximately 80% of the County (by area) has access to public water. Nine municipalities in the County also own and operate water systems with a portion of those relying solely on bulk water purchases from the County.

The County's wastewater system consists of the Central Johnston County Wastewater Treatment Plant (the "WWTP") located in the Town of Smithfield, a 9.5 MGD wastewater treatment plant which provides wastewater treatment for the Towns of Smithfield, Selma, Pine Level, Four Oaks, Wilson's Mills and a portion of the Town of Clayton's service area, and also provides wastewater service for approximately 3,800 residential and 360 commercial customers. A reclaimed water system was recently completed and is now in operation. The towns of Benson, Clayton, Kenly and Princeton operate independent wastewater treatment plants.

The County owns and operates a Subtitle D landfill with an estimated remaining useful life of 75 years and a Construction and Demolition landfill with an estimated remaining useful life of 11 years. The County also operates 13 manned convenience sites that offer a full range of recycling, including motor oil, appliances, and tires in addition to traditional items such as newspapers, cans, plastics, glass and aluminum. Each municipality within the County (except the Towns of Wilson's Mills and Archer Lodge) provides residential collection services through either its own operations or a contract with a private hauler. Outside of the municipalities waste is collected through County drop-off centers and private haulers. Commercial and industrial wastes and construction and demolition debris wastes are collected primarily by private haulers.

RECREATIONAL FACILITIES

The towns of Benson, Clayton, Kenly, Micro, Selma and Smithfield each have Parks and Recreation Departments and offer a broad range of programs and facilities. There are also several community athletic leagues in the County. The County also works with the school system to provide recreational facilities in the County. Additional land is included with school site purchases for future recreational facilities.

OTHER SERVICES

Emergency Medical Service ("EMS") in the County is provided by five County-owned EMS squads and three County-funded, free-standing, non-profit EMS squads.

Fire protection is provided in the County by 27 municipal and volunteer fire departments. The County assists the municipalities and volunteer fire departments in funding the fire protection activities and also levies ad valorem taxes in 27 special fire districts on behalf of such districts.

Electric service is provided in the County by Duke Energy-Progress, Electric Membership Corporation, South River Electric Membership Corporation, as well as the towns of Smithfield, Clayton, Selma and Benson.

Piedmont Natural Gas Company, Inc. operates and maintains a 10-inch natural gas main that generally traverses the County from east to west, with numerous two and four-inch laterals extending from this line to provide gas service to the towns of Benson, Clayton, Smithfield, Selma and Wilson's Mills.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, after issuance of all presently authorized general obligation bonds, including the Bonds offered hereby, the County will have the statutory capacity to incur additional net general obligation debt in the approximate amount of $941,450,000 as of March 31, 2016. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

	Principal Outstanding as of			
General Obligation Bonds	**June 30, 2013**	**June 30, 2014**	**June 30, 2015**	**March 31, 2016**
School	$ 90,414,668	$ 100,897,468 [1]	$ 65,199,752 [1]	$ 57,512,657 [2]
Refunding	167,745,000	155,605,000	193,450,000 [1]	178,620,000
Community College	10,536,797	10,132,367 [1]	3,897,364	3,078,475 [2]
Parks and Recreation	2,378,535	2,200,165	722,884	518,868
Total GO Bonds	$ 271,075,000	$ 268,835,000	$ 263,270,000	$ 239,730,000

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[1]Bonds Issued:

2013-14 $19,000,000 General Obligation Public Improvement Bonds, Series 2014, 12.62 years average maturity, 3.24% true interest cost.

2014-15 $14,875,000 General Obligation Refunding Bonds, Series 2014, 2.5 years average maturity, 1.25% true interest cost.

$50,060,000 General Obligation Refunding Bonds, Series 2015, 9.45 years average maturity, 2.288% true interest cost.

$18,000,000 General Obligation School Bonds, Series 2016, 12.87 years average maturity, 2.844% true interest cost.

[2]A portion of these bonds will be refunded with the proceeds of the Bonds now being offered. See "The Refunding Plan" herein.

Note: Table does not include refunded debt since sufficient funds have been placed with escrow agents to pay all principal and interest and any premium on the bonds refunded to and including their respective maturities or dates of redemption.

GENERAL OBLIGATION DEBT RATIOS

At July 1	**Total GO Debt**	**Assessed Valuation**	**Total GO Debt to Assessed Valuation**	**Population**[1]	**Total GO Debt Per Capita**
2011	$310,125,000	$13,185,634,723	2.35%	172,622	$1,796.56
2012	288,235,000	13,673,357,953	2.11	174,723	1,649.67
2013	271,075,000	14,492,788,141	1.87	177,312	1,528.80
2014	268,835,000	14,530,182,613	1.85	180,048	1,493.13
2015	263,270,000	15,102,257,966 [2]	1.74	180,048 [3]	1,462.22
After Bonds Now Offered are Issued	$266,255,000 [4]	$15,102,257,966[2]	1.76%	180,048 [3]	$1,478.80

[1]Estimates of the North Carolina Office of State Budget and Management.

[2]Estimate of the County.

[3]For purposes of this table, the 2014 population estimate is being used.

[4]Does not include the Bonds to be Refunded as described under "The Refunding Plan" herein.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY OF BONDS NOW OFFERED

Fiscal Year	**Total Principal**	**Total Principal & Interest**[1]	**Bonds Now Offered**
2015-16	$23,540,000	$ 32,961,019	$ — —
2016-17	23,235,000	32,473,538	50,000
2017-18	22,945,000	31,453,050	500,000
2018-19	21,955,000	29,734,363	2,505,000
2019-20	22,630,000	29,636,725	4,235,000
2020-21	22,245,000	28,387,325	2,365,000
2021-22	22,460,000	27,603,725	4,770,000
2022-23	20,965,000	25,181,175	1,750,000
2023-24	20,975,000	24,281,225	1,750,000
2024-25	18,335,000	20,709,175	1,750,000
2025-26	13,125,000	14,751,775	1,750,000
2026-27	8,350,000	9,451,775	1,750,000
2027-28	6,010,000	6,805,775	1,750,000
2028-29	2,800,000	3,381,625	1,750,000
2029-30	2,800,000	3,287,125	1,750,000
2030-31	2,800,000	3,189,125	1,750,000
2031-32	2,800,000	3,091,125	1,750,000
2032-33	2,800,000	2,993,125	1,750,000
2033-34	1900,000	1,988,125	1,750,000
2034-35	600,000	621,000	1,750,000
2035-36			1,750,000
	$ 263,270,000	$ 331,981,894	$38,925,000

[1]Includes the Bonds to be Refunded with the proceeds of the Refunding Bonds now being offered. See "The Refunding Plan" herein.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

Purpose	**Date Approved**	**Balance Authorized and Unissued**	**Bonds Now Offered**	**Balance**
Refunding	04/05/2010	$ 61,980,000	$ --	$ 61,980,000
School	11/05/2013	20,500,000	20,500,000	--
Community College	11/05/2013	6,500,000	6,500,000	--
Refunding	03/02/2015	48,450,000	11,925,000	36,525,000
		$ 137,430,000	$ 38,925,000	$ 98,505,000

Note: The County does not intend to issue the remaining authorized and unissued Refunding Bonds unless sufficient savings can be realized.

GENERAL OBLIGATION DEBT INFORMATION FOR UNDERLYING UNITS AS OF MARCH 31, 2016

Unit	2014 Population	Assessed Valuation	Tax Rate Per $100	Debt Authorized and Unissued Utility	Debt Authorized and Unissued Other	Total GO Debt Utility	Total GO Debt Other	Total GO Debt Per Capita
Archer Lodge	4,605[1]	$ 265,516,216	$.15	$ —	$ —	$ —	$ —	$ —
Benson	3,388[1]	286,593,932	.53	—	—	—	—	—
Clayton	17,330[1]	1,670,737,086	.55	—	—	—	4,940,000	285.05
Four Oaks	1,987[1]	185,668,573	.38	—	—	—	—	—
Kenly	1,348[1]	122,507,222	.61	—	—	—	—	—
Micro	450[1]	20,620,481	.55	—	—	162,000	—	360.00
Pine Level	1,766[1]	103,913,396	.44	—	—	—	—	—
Princeton	1,210[1]	73,963,377	.54	—	—	143,900	—	118.93
Selma	6,179[1]	414,634,186	.51	—	—	—	—	—
Smithfield	11,057[1]	1,064,857,141	.57	—	—	—	540,000	48.84
Wilson's Mills	2,449[1]	144,099,188	.42	—	—	—	—	—
Archer's Lodge Water District	9,194[2]	703,364,945	—	—	—	2,985,000	—	324.67
Brogden Water District	6,231[2]	289,282,401	—	—	—	2,795,000	—	448.56
Buffalo Water District	7,485[2]	437,857,916	—	—	—	2,430,000	—	324.65
Clayton Water District	7,602[2]	628,111,440	—	—	—	2,750,000	—	361.75
Cleveland Water District	16,807[2]	1,566,693,932	—	—	—	2,845,000	—	169.27
Elevation Water District	7,088[2]	334,651,050	—	—	—	3,445,000	—	486.03
Hopewell/Pisgah Water District	6,153[2]	368,136,744	—	—	—	1,235,000	—	200.72
Ingrams Township Water District	5,387[2]	216,660,113	—	—	—	2,325,000	—	431.59
Little Creek Water District	9,030[2]	603,260,923	—	—	—	3,130,000	—	346.62
Little River Water District	7,165[2]	295,345,707	—	—	—	8,110,000	—	1,131.89
McGee's Crossroads Water District	14,304[2]	958,007,104	—	—	—	4,680,000	—	327.18
Meadow Water District	7,750[2]	251,550,666	—	—	—	2,680,000	—	345.81
O'Neals Water District	9,529[2]	413,115,804	—	—	—	6,995,000	—	734.07
Princeton/Kenly Water District	4,516[2]	193,892,337	—	—	—	2,185,000	—	483.84
Whitley Heights Sanitary District	226[2]	10,930,610	.13	—	—	96,000	—	424.78
Wilson's Mills Water & Sewer District	3,869[2]	190,794,970	—	—	—	855,000	—	220.99

Note: Outstanding debt in the above table does not include installment financings or loans from the State under the Clean Water Revolving Loan and Grant Act of 1987.

[1]Estimates of the North Carolina Office of State Budget and Management.

[2]Estimates of the County.

OTHER LONG-TERM COMMITMENTS

As of March 31, 2016, the County has payments due under installment financing agreements and limited obligation bonds, secured by financed facilities and subject to annual appropriation, as follows:

	Payable from General Fund		Payable from Enterprise Funds	
Fiscal Year	**Total Principal**	**Total Principal & Interest**	**Total Principal**	**Total Principal & Interest**
2015-16	$3,175,038	$4,516,821	$2,300,000	$5,252,425
2016-17	3,387,556	4,646,074	2,355,000	5,229,675
2017-18	3,324,979	4,476,931	2,110,000	4,890,475
2018-19	3,896,048	4,923,359	2,170,000	4,866,075
2019-20	3,541,186	4,433,411	2,250,000	4,859,275
2020-21	3,231,186	3,993,361	2,340,000	4,846,625
2021-22	2,643,652	3,284,052	2,445,000	4,844,825
2022-23	2,070,000	2,618,675	2,525,000	4,813,125
2023-24	2,065,000	2,534,063	2,330,000	4,500,125
2024-25	2,075,000	2,443,625	2,455,000	4,508,625
2025-26	2,095,000	2,359,375	2,585,000	4,520,925
2026-27	2,110,000	2,269,250	2,700,000	4,511,950
2027-28	2,130,000	2,183,250	2,810,000	4,492,450
2028-29			2,940,000	4,487,600
2029-30			3,070,000	4,473,525
2030-31			3,200,000	4,453,075
2031-32			3,330,000	4,447,263
2032-33 & Thereafter			23,260,000	26,985,131
Totals	$35,744,646	$44,682,248	$ 67,175,000	$106,983,169

The County has also entered into a number of loan agreements (payable from enterprise funds) with the State of North Carolina to finance water and sewer facilities in the County as well as water system revenue bonds issued to the United States Department of Agriculture – Rural Development due as follows:

	State of North Carolina Revolving Loans		Water System Revenue Bonds	
Fiscal Year	**Total Principal**	**Total Principal & Interest**	**Total Principal**	**Total Principal & Interest**
2015-16	$2,228,969	$2,821,537	$ 98,000	$322,107
2016-17	2,346,563	2,910,430	101,000	321,776
2017-18	2,632,681	3,152,802	104,000	321,344
2018-19	2,649,522	3,125,550	108,000	321,807
2019-20	2,643,257	3,074,839	112,000	322,132
2020-21	2,660,814	3,047,588	115,000	321,319
2021-22	2,624,929	2,966,527	119,000	321,407
2022-23	2,643,230	2,940,675	123,000	321,357
2023-24	2,653,010	2,905,916	127,000	321,169
2024-25	2,672,088	2,880,261	132,000	321,844
2025-26	2,691,567	2,854,607	137,000	322,344
2026-27	1,986,048	2,103,545	141,000	321,676
2027-28	2,006,353	2,097,187	146,000	321,869
2028-29	2,010,542	2,074,285	151,000	321,888
2029-30	1,718,513	1,755,077	156,000	321,738
2030-31	1,019,116	1,034,634	161,000	321,413
2031-32	944,116	953,276	167,000	321,919
2032-33 & Thereafter	2,103,151	2,110,154	4,308,397	5,909,798
Totals	$40,234,469	$44,808,890	$ 6,506,397	$ 11,378,907

In addition, the County financed a magnetic resonance imaging scanner ("MRI"), certain other imaging equipment and a building to house such equipment for JMC-S through two installment financing agreements executed in late 2003. The financing agreements are secured by the assets financed and are paid by JMC-S from hospital revenues under an agreement between the County and JMC-S. The financing agreement for the equipment matured in December 2008 and the financing agreement for the building matures in December 2018, with an amount outstanding at March 31, 2016 of $366,667.

For further information concerning the County's other long-term commitments, please refer to Note 15 in the Notes to the Basic Financial Statements in Appendix D.

DEBT OUTLOOK

In October 2007, the Board adopted formal Financial Policy Guidelines to guide the overall financial and debt management practices of the County. The County maintains capital funding strategies to identify current and future capital needs and determine appropriate funding sources for those capital needs, including debt and pay-as-you-go funding. The capital funding strategies are updated at least annually and are used to determine future debt capacity/affordability as well as the timing and amount of future debt issuances.

The County is currently in discussions with Johnston County Schools and Johnston Community College regarding future facility needs. No decisions have been made by the Board as to amounts or timing of future debt issuances for school or community college facilities.

The County has hired a consultant to study the long-term jail and court facility needs of the County. No decisions have been made by the Board as to the direction, timing or financing of any projects. Construction of any new facilities and any resulting renovations to existing facilities would likely be multiple-year projects and require the incurrence of additional debt.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended or Ending June 30			
	2013	**2014**	**2015**	**2016**[3]
Assessed Valuation:				
Assessment Ratio[1]	100%	100%	100%	100%
Real Property	$10,904,556,697	$11,181,295,879	$ 11,470,699,137	$ 11,827,323,776
Personal Property	2,485,656,220	2,998,862,836	2,733,084,051	2,915,403,396
Public Service Companies[2]	283,145,036	312,629,426	326,399,425	359,530,794
Total Assessed Valuation	$13,673,357,953	$14,492,788,141	$ 14,530,182,613	$ 15,102,257,966
Rate per $100	.78	.78	.78	.78
Net Levy	$ 106,725,717	$ 113,294,219	$ 113,410,550	$ 117,797,612

[1]Percentage of appraised value has been established by statute.

[2]Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.

[3]Estimate.

Note: Revaluation of real property became effective with the 2011-12 tax levy. The next revaluation of real property will become effective with the 2019-2020 tax levy.

In addition to the County-wide rate, the following table lists the levies by the County on behalf of twenty-seven (27) fire districts, a drainage district, a sanitary district, the Smithfield Redevelopment District and the Research Training Zone for the fiscal years ended June 30:

	2013	**2014**	**2015**	**2016**[3]
County-wide	$106,725,717	$113,294,219	$113,410,550	$ 117,797,612
All Special Districts	7,611,458	8,240,485	7,743,605	8,722,166
	$114,337,175	$ 121,534,704	$121,154,155	$126,519,778

TAX COLLECTIONS

Year Ended June 30	Prior Years' Levies Collected	Current Years' Levy Collected	Percentage of Current Years' Levy Collected
2010	$1,283,286	$ 90,335,538	98.64%
2011	1,301,016	91,400,335	98.61
2012	1,288,266	101,552,223	98.68
2013	1,616,408	105,360,940	98.72
2014	1,423,013	112,770,866	99.54
2015	595,708	113,203,995	99.82
2016 (As of 3/31/16)	56,709	113,143,675	96.00

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2015-16

Taxpayer	Type of Enterprise	2015-16 Assessed Valuation	2015-16 Levy	Percentage of Total Assessed Valuation
Grifols Therapeutics Inc.	Pharmaceutical manufacturer	$501,388,684	$3,910,831	3.32%
Novo Nordisk Pharmaceutical Ind.	Pharmaceutical manufacturer	235,704,412	1,838,494	1.56
Piedmont Natural Gas Co. Inc.	Utility	195,721,118	1,526,624	1.29
Duke Energy Progress, Inc.	Utility	132,564,175	1,034,000	.88
Caterpillar, Inc.	Building construction products	53,742,707	419,193	.36
Crown Raleigh III & IV LLC	Real estate investment	47,885,728	373,508	.32
AVINTIV	Nonwoven textiles manufacturer	46,397,194	361,898	.31
Becton, Dickinson and and Company	Medical product distributor	41,115,356	320,699	.27
Carolina Premium Outlets	Retail	40,040,330	312,314	.26
Sysco Corporation	Food products distributor	34,505,307	269,141	.23
		$1,329,065,011	$10,366,702	8.80%

Source: Johnston County Tax Assessor's Office.

2015-16 Budget Commentary

The Board of Commissioners of the County approved a General Fund budget of $202.3 million for the fiscal year ending June 30, 2016, an increase of approximately $12.9 million from the adopted budget for the fiscal year ended June 30, 2015. The adopted budget for the fiscal year ending June 30, 2016 maintained the County's tax rate at $.78 per $100 assessed valuation and included an appropriation of General Fund fund balance of $4.0 million. The adopted budget also maintained compliance with Financial Policy Guidelines adopted by the Board of Commissioners for the County in 2007. The County's historical practice of conservative revenue and expenditure budgeting, together with positive mid-year results as compared to budget, indicate that none of the appropriated fund balance that was included in the adopted budget for the fiscal year ending June 30, 2016 is expected to be expended in the fiscal year.

Pension Plans

The following information on the pension plans is provided on a calendar year basis, whereas the information presented in the independent auditor's footnote in Appendix D was based on a fiscal year (July 1 through June 30) basis.

The County participates in the North Carolina Local Governmental Employees' Retirement System.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, is currently 7.07 percent of eligible payroll for general employees and 7.41 percent of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the System.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits for general employees are available at age 65, with at least five years of creditable service or at age 60 with at least 25 years of creditable service; and for law enforcement officers are available at age 55, with at least five years creditable service, or for all members, after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age factor if the individual is not eligible for unreduced benefits.

Employer contributions to the System are determined on an actuarial basis.

For information concerning the County's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see Note 9 to the County's Audited Financial Statements in Appendix D. For information concerning the County's other post-employment benefits, including health care benefits provided to retirees, see Note 9 to the County's Audited Financial Statements in Appendix D.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("CAFR") for the State. Please refer to the State's CAFR for additional information.

Other Post-Employment Benefits

The County provides certain post-employment health care benefits ("OPEB") to retirees who participate in the North Carolina Local Government Employees Retirement System and who, at the time of their retirement, had at least 10 years of continuous creditable service with the County if hired prior to January 1, 2007 or 20 years of continuous creditable service with the County if hired on or after January 1, 2007, but prior to January 1, 2011. Employees hired on or after January 1, 2011 are not eligible for OPEB. The County provides health care benefits for qualified retirees and the County appropriates funds in each year to meet its obligations on a pay-as-you-go basis.

The County implemented Governmental Accounting Standards Board ("GASB") Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," for the fiscal year ended June 30, 2008. GASB 45 requires governments to treat OPEB for accounting purposes on an accrual basis similar to pensions.

As of December 31, 2014, the most recent actuarial valuation date, the actuarially accrued liability for benefits and thus the unfunded actuarial accrued liability (the "UAAL") was $96,707,763. The annual payroll of active employees covered by the plan was $27,584,568 and the ratio of the UAAL to the covered payroll was 350.59%. The actuarial valuation used the projected unit credit actuarial cost method.

For the fiscal year ended June 30, 2015, the County's annual required contribution (the "ARC") was $9,411,344. The ARC is determined in accordance with the parameters of GASB Statement 45 and represents a level of funding that, if paid on an ongoing basis, is expected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

To date, the County has chosen not to fully fund the ARC. For the fiscal year ended June 30, 2015, the County made payments for postretirement health benefit premiums of $2,295,838. The net OPEB obligation of $54,959,925 is recorded in the statement of net position for the fiscal year ended June 30, 2015.

Further information is provided in the Notes to the County's Audited Financial Statements in Appendix D.

Contingent Liabilities

The County has no litigation at the present time which, in the opinion of the County Attorney, would materially and adversely affect the County's ability to meet its financial obligations. Also, the County has no other contingent liabilities which would materially and adversely affect the County's ability to meet its financial obligations.

CONTINUING DISCLOSURE

In a resolution adopted by the County, the County will undertake, for the benefit of the beneficial owners of the Bonds, to provide:

(a) by not later than seven months from the end of each fiscal year of the County, beginning with fiscal year ending June 30, 2016, to the Municipal Securities Rulemaking Board ("MSRB"), audited financial statements of the County for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the County are not available by seven months from the end of such fiscal year, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the County, beginning with fiscal year ending June 30, 2016, to the MSRB, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "The County - Debt Information and - Tax Information" in this Official Statement relating to the Bonds (excluding any information on overlapping or underlying units) and (ii) the combined budget of the County for the current fiscal year, to the extent such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner, not in excess of ten (10) business days after occurrence of the event, notice to the MSRB of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of any credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or material events affecting the tax status of the Bonds;

(7) modification to rights of the beneficial owners of the Bonds, if material;

(8) call of any of the Bonds, if material, and tender offers;

(9) defeasance of any of the Bonds;

(10) release, substitution or sale of any property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the County;

(13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(d) in a timely manner, to the MSRB, notice of a failure of the County to provide required annual financial information described in (a) or (b) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires the County's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The resolution adopted by the County also provides that if the County fails to comply with the undertaking described above, any beneficial owner of Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolution, the County reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the County, provided that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the County (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of such resolution, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The County will provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The County may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the U.S. Securities and Exchange Commission.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all the Bonds.

Within the past five fiscal years, the County has not failed to provide any information required to be provided by any undertaking previously made by the County pursuant to the requirements of Rule 15c2-12.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approving opinion of Nexsen Pruet, PLLC, Charlotte, North Carolina, Bond Counsel, which will be furnished at the expense of the County and available upon delivery of the Bonds. The proposed form of such opinion is set forth in Appendix E. Such opinion will be limited to matters relating to the authorization and validity of the Bonds and the tax-exempt status of interest thereon as described in the section "**TAX EXEMPTION**". Bond Counsel has not been engaged to investigate the financial resources of the County or its ability to provide for payment of the Bonds, and Bond Counsel's opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Bonds.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services, have given the Bonds ratings of Aa1 and AA+, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of each such rating may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

FINANCIAL ADVISOR

Davenport & Company LLC has acted as financial advisor to the County in connection with the issuance of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Birmingham, Alabama, a firm of independent public accountants, will deliver to the County its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the County and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of, and interest on, the Government Obligations deposited in the escrow fund to pay, when due, called principal of, interest on and related call premium requirements of the Bonds to be Refunded.

TAX EXEMPTION

The opinion of Bond Counsel will state that, under existing law and assuming continuing compliance by the County with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditure and investment of Bond proceeds and, if required, the timely payment to the United States Treasury of certain investment earnings, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. In addition, said opinion will state that interest on the Bonds is exempt from all present State of North Carolina income taxes.

The opinion of Bond Counsel will further state that, under existing law, interest on the Bonds is not a specific item of tax preference for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals. Ownership of the Bonds and the accrual or receipt of interest thereon may result in other federal, state or local tax consequences upon which Bond Counsel expresses no opinion.

In the resolution providing for the issuance of the Bonds (the "Bond Resolution"), the County has covenanted to comply with the requirements of the Code, regarding, among other matters use, expenditure and investment of Bond proceeds and, if required, the timely payment to the United States Treasury of certain investment earnings, except to the extent that the County obtains an opinion of bond counsel to the effect that noncompliance would not adversely affect the excludability of interest on the Bonds from gross income of the owners thereof for purposes of federal income taxation. In the event that the County fails to comply with its covenants in the Bond Resolution, interest on the Bonds may become includable in the gross income of the owners (and thus taxable) from the date of issuance of the Bonds.

The ownership of tax-exempt obligations (such as the Bonds) and the accrual or receipt of interest thereon may also result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess net passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and the impact of any such collateral tax consequences and the status of interest on the Bonds under the laws of any state other than North Carolina.

As pressure to reduce the federal deficit and balance the budget increases, various proposals to limit or eliminate the general exclusion from gross income for federal tax purposes of interest on state and local bonds are being debated. Any such limitation or elimination, if retroactive, may result in the inclusion for federal tax purposes of some or all of the interest on the Bonds in gross income of the owners of the Bonds. Such proposals may or may not become law. In addition, other future legislation, administrative action or court decisions at the federal or state level, may adversely affect federal or state tax-exemptions applicable to the Bonds or the market price or marketability of the Bonds or may otherwise prevent the owners of the Bonds from realizing in full the anticipated economic benefit of the Bonds.

Discount Bonds and Premium Bonds

Bank of America Merrill Lynch, as underwriter for the Public Improvement Bonds, has advised the Commission that the initial public offering price of the Public Improvement Bonds maturing on February 1 in the year 2028 (the "Discount Bonds"), is less than the amount payable at maturity. An amount not less than the difference between the initial public offering price of the Discount Bonds and the amount payable at maturity constitutes original issue discount ("OID"). Owners of Discount Bonds should consult their own tax advisors as to the determination for federal tax purposes of the amount of OID properly accruing each year with respect to the Discount Bonds and as to federal tax consequences and the treatment of OID for State and local tax purposes.

Bank of America Merrill Lynch, as underwriter for the Public Improvement Bonds, has also advised the Commission that the initial public offering prices of the Public Improvement Bonds maturing on February 1 in the years 2018 to 2027, inclusive, and 2029 to 2036, inclusive, (the "Premium Public Improvement Bonds"), and Citigroup Global Markets Inc., as lead underwriter for the Refunding Bonds, has advised the Commission that the initial public offering prices of the Refunding Bonds (the "Premium Refunding Bonds" and, collectively with the Premium Public Improvement Bonds, the "Premium Bonds"), are greater than the amounts payable at maturity. The difference between the amounts payable at maturity of the Premium Bonds and the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases the Premium Bonds at the initial offering price is "Bond Premium." Bond Premium is amortized over the term of the Premium Bonds for federal income tax purposes. Owners of the Premium Bonds are required to decrease their adjusted basis in the Premium Bonds by the amount of amortizable Bond Premium attributable to each taxable year the Premium Bonds are held. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of the Premium Bonds and with respect to State of North Carolina and local tax consequences of owning and disposing of the Premium Bonds.

UNDERWRITING

The underwriter for the Public Improvement Bonds is Bank of America Merrill Lynch.[1]

The underwriter for the Public Improvement Bonds has agreed, subject to certain conditions, to purchase all but not less than all of the Public Improvement Bonds. If all of the Public Improvement Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriter for the Public Improvement Bonds anticipates total selling compensation of $50,135[1]. The public offering prices or yields of the Public Improvement Bonds may be changed from time to time by the underwriter.

The underwriters for the Refunding Bonds are Citigroup Global Markets Inc.; Drexel Hamilton, LLC: Siebert Brandford Shank & Co.; Rice Financial Products Company; Intercoastal Capital Markets Inc.; Protective Securities; Wiley Brother-Aintree Capital LLC: Cabrera Capital Markets, LLC: Rockfleet Financial Services, Inc. and Roosevelt & Cross, Inc. [2]

The underwriters for the Refunding Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Refunding Bonds. If all of the Refunding Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters for the Refunding Bonds anticipate total selling compensation of $30,858.04[2]. The public offering prices or yields of the Refunding Bonds may be changed from time to time by the underwriters.

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[1]Information provided by the underwriter for the Public Improvement Bonds.
[2]Information provided by the underwriters for the Refunding Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

References herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Board of Commissioners for the County.

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

By
/s/ Greg C. Gaskins
Secretary of the Commission

COUNTY OF JOHNSTON, NORTH CAROLINA

By
/s/ Tony Braswell
Chair of the Board of Commissioners

By
/s/ Rick J. Hester
County Manager

By
/s/ J. Chad McLamb, CPA
Director of Finance

APPENDIX A

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the "Commission") is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. All general obligation issues are customarily sold on the basis of formal sealed bids submitted at the Commission's offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission's staff also counsels the units of local government in treasury and cash management, budget preparation and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission in order to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors in order to assist the unit in working out a plan for refinancing, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue with respect to a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed in accordance with such plan.

APPENDIX B

CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL GOVERNMENT OF THE STATE OF NORTH CAROLINA

Constitutional Provisions

The North Carolina Constitution (the "Constitution") requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

(a) to fund or refund a valid existing debt;

(b) to supply an unforeseen deficiency in the revenue;

(c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;

(d) to suppress riots or insurrections;

(e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and

(f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two--thirds of the amount by which the issuing unit's outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for "public purposes." The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather, it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding $300, any personal property. The General Assembly may also exempt from taxation not exceeding $1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit--wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

The Local Government Bond Act

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-¬term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

"Net debt" is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits "balloon installments" in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

Short-Term Obligations

Bond Anticipation Notes - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

Tax Anticipation Notes - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

Revenue Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

Grant Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

The Local Government Budget and Fiscal Control Act

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the "Fiscal Control Act"), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units.

Budget - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

Fiscal Control - The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

Major General Fund Revenue Sources

Ad Valorem Tax - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

Tax Base - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

(1) Tangible household personal property is excluded from the property tax base.

(2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.

(3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.

(4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.

(5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:

   (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).

   (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.

   (c) Certain pollution abatement and resource recovery equipment.

(d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.

(e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.

(f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.

(6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

(7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use.

Appraisal Standard - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

Frequency of Appraisal - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

Tax Day - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

Tax Levy - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

Tax Collection - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

Local Government Sales and Use Taxes

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one--half percent sales tax.

Counties were previously authorized under the Third One-Half Cent Local Government Sales and Use Tax Act, to levy an additional one-half cent local option sales tax. However, as a part of a Medicaid relief package for the counties, this third one-half cent tax was replaced by the Local Government Hold Harmless Provision. Effective October 1, 2008, this tax was reduced to one-fourth cent and the remaining one-fourth cent was eliminated effective October 1, 2009. The phase out of this tax is part of an effort to allow the State to assume the County's portion of the Medicaid expense over a three year period. The State must guarantee that each county's gain will be at least $500,000 for each fiscal year as a result of the State assuming the county Medicaid share. Once the Third One-Half Cent tax was completely phased out on October 1, 2009, if the amount of a county's Medicaid cost assumed by the State plus $500,000 is less than the county's repealed local sales tax amount, the State must reimburse the county for the amount of the difference. Counties are to hold municipalities that were incorporated as of October 1, 2008, harmless for the phase-out of the Third One-Half Cent tax. The hold harmless funds are paid to municipalities by the Secretary of Revenue each month from funds obtained by reducing the county's monthly allocation of the one-percent local sales and use tax proceeds. The Medicaid relief package also provides for corresponding increases in the State sales tax to accompany the reduction of the Third One-Half Cent tax that was effective October 1, 2008 and repealed on October 1, 2009. Thus, the State sales tax was increased by one-quarter cent on October 1, 2008 and by another one quarter cent on October 1, 2009.

Alcoholic Beverage Control Store Profits

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of $20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and $10 of the $20 is paid to the State's General Fund.

Intragovernmental Shared Revenues

The excise tax levied by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and cities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 23.75% of beer tax revenue, 62% of unfortified wine tax revenue and 22% of fortified wine tax revenue. A city or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold, the city or county shares only in the excise tax for that beverage. Two hundred thousand dollars ($200,000) from the net proceeds of the excise tax collected on unfortified wine is appropriated quarterly to the Department of Commerce to be used to promote the North Carolina grape and wine industry. The local share of these collections is computed on the net proceeds after deducting the transfer to the Department of Commerce. Some counties and municipalities do not permit the sale of either beer or wine and thus do not receive any share of this revenue.

Under the utility franchise tax law, the State levies a gross receipts tax on certain public utilities at rates of 3.22% to 6%. Cities receive quarterly distributions equal to 3.09% of taxable gross receipts from sales within municipalities of electricity during the preceding calendar quarter, minus one-fourth of the city's hold back amount and one fourth of the city's proportionate share of the annual cost to administer.

The State levies a sales tax on the gross receipts of telecommunications and ancillary services at a statutorily prescribed rate. The rate is equal to the sum of the State's sales tax rate and the rates of local sales taxes levied in each of the 100 Counties. Each quarter, the State distributes to cities 18.7 percent of these proceeds from that quarter, minus $2,620,948.

The State imposes a State excise tax on the distribution of piped natural gas, with statutorily prescribed rates that decrease with the amount of piped natural gas used by each customer. The State distributes quarterly to each city served by piped natural gas one-half of the tax attributed to sales within that city.

Cities and towns receive annually a motor fuel tax allocation equal to the amount produced during the year by a 1.75 cents tax on each gallon of motor fuel sold in the State. Payments are made from the collections of the prior fiscal year. Under the present distribution formula, 75% of the funds are allocated on the basis of population of eligible municipalities and 25% are allocated on the basis of the mileage of public streets within cities and towns that are not a part of the State highway system.

All cities and counties receive shares of three State sales taxes on local cable franchise system revenues which currently are 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. The distributions can be used for any public purpose after earmarking provisions are met. The first $2 million of the local share of the proceeds from these three taxes must be used by the local governments to support local public, educational, or governmental (PEG) access channels. A city or county that imposed subscriber fees during the first six months of the 2006-07 fiscal year must use a portion of the funds distributed to it for the operation and support of PEG channels, equal to two times the amount of subscriber fee revenue the county or city certifies that it imposed during the period. In addition, a city or county that used part of its franchise tax revenue in fiscal year 2005-06 for the operation and support of PEG channels, or a publicly owned and operated television station, must continue the same level of support.

State and Local Fiscal Relations

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

Public Schools and Community Colleges -- The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

Court System -- The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

Correctional System -- The State finances all of the cost of correctional facilities used for confinement of convicted felons and long--term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short--term misdemeanants and prisoners awaiting trial.

Highway System -- The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

APPENDIX C

Management Discussion and Analysis

The following is Management's Discussion and Analysis of the financial activities of the County, lifted from the Comprehensive Annual Financial Report for the County of Johnston for the fiscal year ended June 30, 2015. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the County's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the County have applied certain limited procedures, which consist primarily of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

As management of Johnston County, we offer readers of Johnston County's financial statements this narrative overview and analysis of the financial activities of Johnston County for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The liabilities and deferred inflows of resources of Johnston County's primary government exceeded its assets and deferred outlows of resources at the close of the fiscal year by$121,631,654 (net position).

- The primary government's total net position decreased by $2,141,466, primarily due to increased educational expenses in the governmental funds.

- As of the close of the current fiscal year, Johnston County's governmental funds reported combined ending fund balances of $67,976,586, a decrease of $2,697,729 in comparison with the prior year. Approximately 40.22 percent of this total amount, or $27,338,545, is restricted or non-spendable.

- At the end of the current fiscal year, legally available fund balance for the General Fund was $37,435,694, or 19.32 percent of total general fund expenditures for the fiscal year.

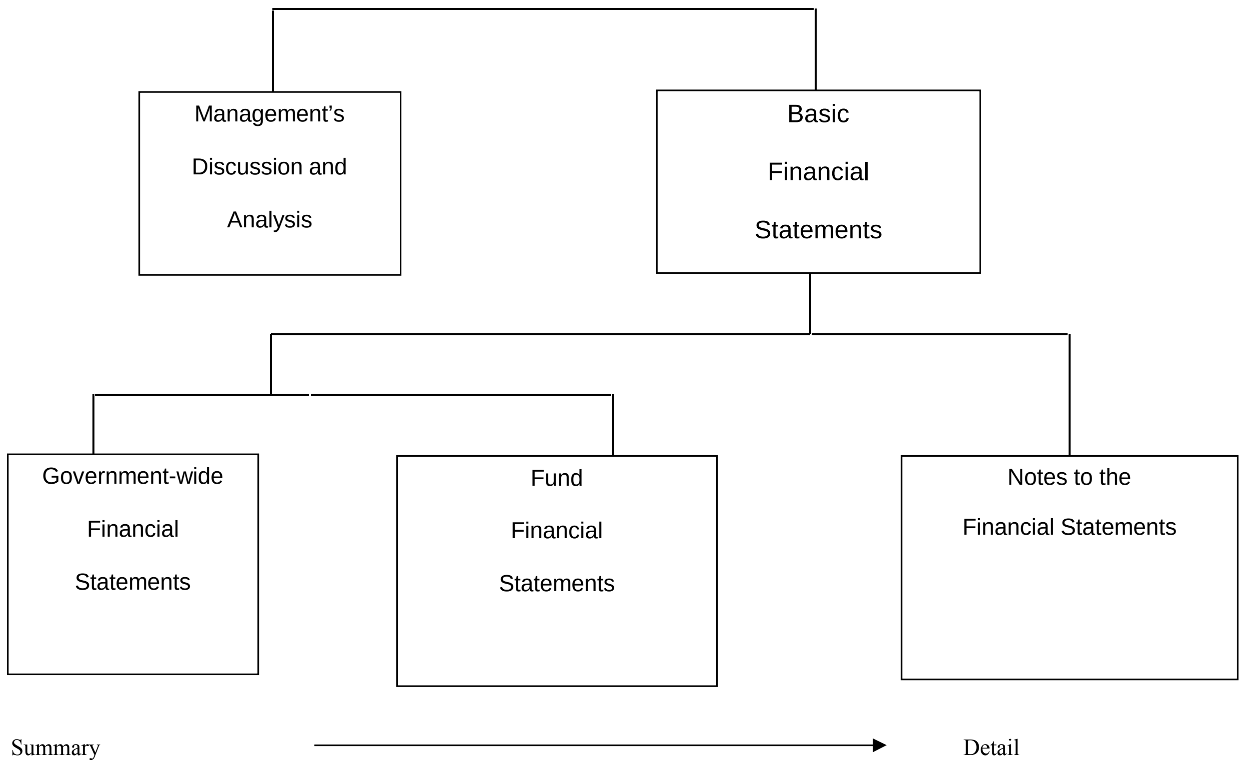
- Johnston County's total debt decreased by $7,338,316 during the current fiscal year (includes premium on issuance as well). The key factors in this increase was primarily due to the issuance of clean water revolving loans, general obligation bonds, and installment purchase loans to finance the construction of water distribution systems, offset by debt service payments made for the year. The County issued $18,000,000 in general obligation bonds, as well as $64,935,000 in refunding bonds.

- Johnston County maintained its Aa2 and AA+ rating from Moody's Investors and Standard and Poor's rating services, respectively.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Johnston County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Johnston County.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net posiiton is the difference between the County's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and landfill services offered by Johnston County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County. The County then distributes the profits among the County and municipalities in the County. The County also reports the Tourism Development Authority and the Airport Authority as component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Johnston County, like all other governmental entities, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Johnston County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting.* This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Johnston County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Johnston County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Johnston County uses enterprise funds to account for its water and sewer activity and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Johnston County has four fiduciary funds, one of which is a pension trust fund and three of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Johnston County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 73 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The liabilities and deferred inflows of resources of Johnston County's primary government exceeded its assets and deferred outflows of resources by $121,631,654 as of June 30, 2015. The County's net position decreased by $2,141,466 for the fiscal year ended June 30, 2015. In addition, the County implemented GASB 68, *Accounting and Financial Reporting for Pensions*, which resulted in a decrease in net position of $5,611,355. Furthermore, there were prior period adjustments that decreased net position by $895,171. Net position is reported in three categories: Net investment in capital assets of $168,887,372, restricted net position of $27,338,545, and unrestricted net position of $(317,857,571).

Johnston County's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other assests	$ 80,170,364	$ 78,287,493	$ 39,617,401	$ 34,425,138	$ 119,787,765	$ 112,712,631
Capital Assets	62,558,079	64,821,727	222,722,413	232,154,984	285,280,492	296,976,711
Total Assets	142,728,443	143,109,220	262,339,814	266,580,122	405,068,257	409,689,342
Total deferred outflows of resources	18,583,630	11,323,224	329,043	-	18,912,673	11,323,224
Long-term liabilities	342,775,201	340,415,566	129,323,970	136,701,017	472,099,171	477,116,583
Other liabilities	38,479,442	32,349,945	7,839,605	7,823,077	46,319,047	40,173,022
Total Liabilities	381,254,643	372,765,511	137,163,575	144,524,094	518,418,218	517,289,605
Total deferred inflows of resources	9,983,463	136,006	17,210,903	16,570,557	27,194,366	16,706,563
Net Position						
Net investment in capital assets	60,050,742	61,453,307	108,836,630	113,431,706	168,887,372	174,885,013
Restricted	27,338,545	34,210,335	-	-	27,338,545	34,210,335
Unrestricted	(317,315,320)	(314,132,775)	(542,251)	(7,946,235)	(317,857,571)	(322,079,010)
Total Net Position	$ (229,926,033)	$ (218,469,133)	$ 108,294,379	$ 105,485,471	$ (121,631,654)	$ (112,983,662)

The net investment in capital assets category is defined as the County's investment in County owned capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Johnston County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Johnston County's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used.

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position (deficit) totaled $(317,857,571) at June 30, 2015. This deficit is a result of the situation described in the following paragraph.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for use by the Johnston County Board of Education to construct, renovate and equip schools. Under North Carolina law, the County is responsible for providing capital funding for the schools. The County has chosen to meet its obligation to provide the schools capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County, however, are owned and utilized by the schools. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately $318,526,372 of the outstanding debt on the County's financial statements was related to assets included in the public schools financial statements.

However, since the majority of this school related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate and amount, as may be necessary to pay the debt service on its general obligation bonds.

The impact on unrestricted governmental net position of the inclusion of the school system debt without the corresponding assets was offset by the following positive factors:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 99.82%, resulted in a slight increase over last year's collection rate of 99.54%.

- Increased charges for services revenue due to growth in the use of County facilities.

- Continued low cost of debt due to the County's high bond rating.

Johnston County's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 18,861,417	$ 11,870,072	$ 36,710,428	$ 34,092,776	$ 55,571,845	$ 45,962,848
Operating grants and contributions	28,041,203	37,032,587	4,428,193	4,134,640	32,469,396	41,167,227
Capital grants and contributions	2,307,665	-	683,240	1,386,609	2,990,905	1,386,609
General revenues:					-	-
Property taxes	113,356,175	120,859,580	-	-	113,356,175	120,859,580
Other taxes	40,258,190	29,074,672	-	-	40,258,190	29,074,672
Grants and contributions not					-	-
restricted to specific programs	1,515,419	1,345,136	-	218,261	1,515,419	1,563,397
Other	277,721	381,428	2,836,645	1,103,080	3,114,366	1,484,508
Total revenues	204,617,790	200,563,475	44,658,506	40,935,366	249,276,296	241,498,841
Expenses:						
Administrative	-	-	1,149,732	1,388,521	1,149,732	1,388,521
General government	17,441,737	17,109,953	-	-	17,441,737	17,109,953
Public safety	41,772,868	40,322,470	-	-	41,772,868	40,322,470
Economic and physical	7,054,496	6,293,834	-	-	7,054,496	6,293,834
development						-
Human services	44,860,537	44,424,785	-	-	44,860,537	44,424,785
Cultural and recreation	441,000	443,580	-	-	441,000	443,580
Education	83,659,603	59,369,173	-	-	83,659,603	59,369,173
Interest on long-term debt	14,861,209	8,810,125	-	-	14,861,209	8,810,125
Solid Waste	-	-	2,764,828	6,358,200	2,764,828	6,358,200
Water Districts	-	-	10,926,513	11,661,760	10,926,513	11,661,760
Water	-	-	14,145,320	12,675,290	14,145,320	12,675,290
Wastewater	-	-	8,706,326	8,626,452	8,706,326	8,626,452
Housing Assistance	-	-	3,633,593	3,614,808	3,633,593	3,614,808
Total expenses	210,091,450	176,773,920	41,326,312	44,325,031	251,417,762	221,098,951
Increase (decrease) in net position before transfers and special items	(5,473,660)	23,789,555	3,332,194	(3,389,665)	(2,141,466)	20,399,890
Transfers	-	400,000	-	(400,000)	-	-
Increase (Decrease) in net position after transfers and special itesm	(5,473,660)	24,189,555	3,332,194	(3,789,665)	(2,141,466)	20,399,890
Net position, beginning	266,848,243	(241,907,910)	105,485,471	109,275,136	372,333,714	(132,632,774)
Net position, beginning (restated)	(224,452,373)	242,658,688	104,962,185	109,275,136	(119,490,188)	351,933,824
Net position, ending	$ (229,926,033)	$ 266,848,243	$ 108,294,379	$ 105,485,471	$ (121,631,654)	$ 372,333,714

Governmental activities. Governmental activities decreased the County's net position by $5,473,660. Key elements of this decrease are as follows:

Expenses increased by $33,317,530, mainly due to increased expenditures for School capital projects and interest on debt. The School Bond fund began a new project which included issuing new general obligation bonds in 2014, and the majority of this money was spent during the current fiscal year.

The County has been able to maintain a high tax collection rate of 99.82%.

Business-type activities: Business-type activities increased Johnston County's net position by $3,332,194. Key elements of this increase are as follows:

Net position decreased in the Water Fund ($809,049), the Water District Operating Fund ($451,816). This was offset by an increase in net position in the Wastewater Fund of $1,279,042 and the nonmajor proprietary funds of $3,314,017.

Financial Analysis of the County's Funds

As noted earlier, Johnston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Johnston County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Johnston County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Johnston County. At the end of the current fiscal year, Johnston County's fund balance available in the General Fund was $37,435,694 while total fund balance reached $51,363,774. The governing body of Johnston County has determined that the county should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 19.32% of general fund expenditures, while total fund balance represents 26.50% of that same amount.

At June 30, 2015, the governmental funds of Johnston County reported a combined fund balance of $67,976,586, a 3.79 percent decrease from last year. The General Fund balance increased by $1,822,567, primarily because the County was able to realize increases in local option sales tax as a result of economic improvements in the area.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by $6,074,085. The main reasons for these increases were: appropriations needed for Sheriff department expenditures; increase of drug seizure funds; purchase of communications equipment; an increase in health insurance costs in EMS; capital and non-major capital spending in EMS department; additional appropriations needed for the schools; and a transfer to the airport for grant matches for grants received over the past few years.

Proprietary Funds. The County of Johnston's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water Fund amounted to ($12,442,382), the Wastewater Treatment Fund amounted to $6,957,253, the Water District Funds amounted to $10,076,986, and the non-major proprietary funds amounted to ($5,134,108). The total increase in unrestricted net position amounted to $7,403,984 when compared to the prior year. Other factors concerning the finances of these funds have already been addressed in the discussion of the County of Johnston's business-type activities.

Capital Asset and Debt Administration

Capital assets. Johnston County's capital assets for its governmental and business – type activities as of June 30, 2015, totals $285,280,492 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and water lines.

Johnston County's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 3,064,438	$ 3,064,438	$ 8,217,394	$ 8,217,394	$ 11,281,832	$ 11,281,832
Land Improvements	-	-	14,938	14,938	14,938	14,938
Other Improvements	980,772	896,893	-	-	980,772	896,893
Buildings (Plant and					-	-
distribution systems)	52,252,179	53,723,573	188,650,498	192,714,179	240,902,677	246,437,752
Equipment	2,956,108	3,698,978	11,537	15,801	2,967,645	3,714,779
Vehicles	2,354,499	1,919,290	703,874	725,396	3,058,373	2,644,686
Software	568,374	657,248	-	-	568,374	657,248
Intangibles	-	-	23,473,169	24,241,204	23,473,169	24,241,204
Construction in Progress	381,709	290,815	1,651,003	6,325,484	2,032,712	6,616,299
Total	$ 62,558,079	$ 64,251,235	$ 222,722,413	$ 232,254,396	$ 285,280,492	$ 296,505,631

Major capital asset transactions during the year include:

- Water Improvements
- Emergency Services equipment

Additional information on the County's capital assets can be found in notes to the Financial Statements (pages 38-44).

Long-term Debt. As of June 30, 2015, Johnston County had total bonded debt outstanding of $312,715,000, all of which is debt backed by the full faith and credit of the County.

Johnston County's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	$ 263,270,000	$ 268,835,000	$ 49,445,000	$ 50,665,000	$ 312,715,000	$ 319,500,000
Limited obligation bonds	-	-	67,175,000	69,580,000	67,175,000	69,580,000
Unamortized bond premium	23,304,184	15,400,750	4,322,179	4,565,493	27,626,363	19,966,243
Certificates of participation	6,365,000	7,455,000	-	-	6,365,000	7,455,000
Capitalized leases	802,062	1,271,162	-	-	802,062	1,271,162
Clean water revolving loans	-	-	33,530,166	35,413,251	33,530,166	35,413,251
Installment purchase loans	27,292,463	29,137,618	11,190,868	11,441,280	38,483,331	40,578,898
Revenue Bonds	-	-	6,506,398	6,600,398	6,506,398	6,600,398
Other Notes Payables	-	-	41,172	217,856	41,172	217,856
Total	$ 321,033,709	$ 322,099,530	$ 172,210,783	$ 178,483,278	$ 493,244,492	$ 500,582,808

Johnston County's total debt dcreased by $7,338,316 during the past fiscal year, primarily due to the repayment of debt service, offset by the issuance of state revolving loans to finance the construction of the water and sewer distribution systems, the issuance of $18,000,000 in general obligation bonds for school construction, and the refunding of other school bonds.

As mentioned in the financial highlights section of this document, Johnston County maintained its Aa2 bond rating from Moody's Investor Service, and maintained their rating of AA+ from Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of Johnston County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Johnston County is $834,955,084. The County has $110,430,000 in General Obligation refunding bonds authorized but un-issued and $27,000,000 in general obligation school and community college bonds authorized but unissued at June 30, 2015.

Additional information regarding Johnston County's long-term debt can be found in the notes to the financial statements (pages 56 - 68).

Economic Factors and Next Year's Budgets and Rates

The County's overall economy is diversified with a balance of industrial, expanding commercial, and agriculture enterprises. The production of pharmaceutical products, heavy equipment, electronic components and other products, along with durable goods assembly operations and distribution centers have provided relatively stable employment to County residents and have been the object of significant capital expenditures over the years. The County is currently experiencing a resurgence of economic growth in the wake of the national slowdown. The County's average labor force for the calendar year 2014 was 85,187. The County's estimated average unemployment rate for calendar year 2014 was 5.5%, as compared to the State's estimated average unemployment rate of 6.1% for the same period.

The western portion of the County has directly benefited from its proximity to (1) the Research Triangle Park, approximately 6,900 acres of land set aside for research and research-oriented manufacturing activities, which includes more than 170 research and development facilities employing an estimated 49,000 persons with an annual payroll in excess of $2.7 billion; (2) regional employers in and around the City of Raleigh, the State's capitol and a major urban center, which include private sector opportunities with Fortune 500 companies, federal and State government positions and expanding medical service careers; and (3) numerous institutions of higher education including North Carolina State University in the City of Raleigh, The University of North Carolina in the Town of Chapel Hill, Duke University and North Carolina Central University in the City of Durham and East Carolina University in the City of Greenville.

The County's employment base includes approximately 10% of all biopharmaceutical jobs in the State. The area southeast of the Town of Clayton is home to two large international pharmaceutical companies, as well as a special purpose Research and Training Zone which supports the special needs of the local pharmaceutical industries. The largest manufacturing employer in the County is Grifols Therapeutics Inc., a high-tech manufacturer of blood plasma products for a variety of applications, employing approximately 1,650. With a presence in the Clayton area since 1981, Grifols completed its most recent expansion with the construction of a new fractionation facility in June, 2014. Novo Nordisk Pharmaceutical Industries, the world's largest supplier of insulin products, has maintained a presence in the Clayton area since 1991, and currently employs approximately 550. In September 2013, Novo Nordisk announced that it will spend approximately $102 million at its Clayton facility to expand and create approximately 110 new jobs. A third pharmaceutical bioprocessing company in the County employing approximately 250, Hospira, Inc., closed its plant in the County in June, 2015.

Another large manufacturing employer in the County is the Building and Construction Products Division of Caterpillar Inc. ("CAT"), a Fortune 100 company, located near the Town of Clayton. The facility currently assembles and distributes all CAT rubber tire front-end loaders for North America and the export market. A recent $18.5 million expansion to the assembly facility is expected to add approximately 200 jobs over a five year period is operational. The assembly plant currently has approximately 450 employees.

In addition, CAT completed construction of its $14.5 million Caterpillar Machine Development Center on 252 acres adjacent to its Clayton assembly facility in July, 2013. The approximately 55,000 square-foot facility is where prototype machines are designed, tested and subjected to customers' hands-on operation and critique. At a state-of-the-art heavy equipment test track located at the center, engineers can get hands-on experience testing out new equipment, with a focus on design elements than can be incorporated into new Caterpillar machines. The center employs approximately 240 designers, engineers, and technicians.

New employers to the County in recent years include:

Sysco Corporation, the largest food service marketing and distribution company in North America, currently employing approximately 500.

The Middleby Corporation acquired the assets of Turkington USA just outside of Clayton in early 2012, and changed the name to Baker Thermal Solutions, currently employing approxmiately 100. Baker updated equipment in the former Turkington facility and continues to manufacture industrial ovens and baking equipment, and plans to expand the lines formerly produced by Turkington. Turkington moved its headquarters to this location from the City of Goldsboro in August of 2009.

Automatic Rolls of NC, a division of Northeast Foods Inc., and a national contract baker for the commercial and fast-food industries, currently employing approximately 135. Automatic Rolls of NC has been a key supplier to McDonald's since 1965 and McDonald's largest supplier of buns in the United States.

Becton, Dickinson and Company, a global medical technology company that manufactures and sells medical devices, instrument systems and reagents, currently employing approximately 175.

Coca-Cola Bottling Company relocated a major distribution facility from the City of Raleigh to Clayton, employing approximately 185. Coca-Cola recently announced that it will invest approximately $5 million in the Clayton facility by adding a new robotic order filling system.

In September 2014, Duke Energy and Piedmont Natural Gas announced the two utilities had selected Dominion Energy to build and operate a 550-mile Interstate natural gas pipeline from West Virginia, through Virginia and into eastern North Carolina to meet the region's rapidly growing demand for natural gas. Named the "Atlantic Coast Pipeline" the project has an estimated cost of $4.5 to $5 billion, an initial capacity of 1.5 billion cubic feet of natural gas per day, and a target in-service date of late 2018. The project will require Federal Energy Regulatory Commission approval, which Dominion will seek to secure by Summer 2016. The pipeline will follow Interstate 95 through Johnston County, and is expected to help the County attract new, energy-dependent businesses and industries.

The County is also becoming a center for the medical services industry and related employment. Johnston Medical Center – Smithfield, formerly named Johnston Memorial Hospital, is located in the Town of Smithfield. The Town of Clayton is also the site of Johnston Medical Center – Clayton, a full service hospital, which opened an approximately $30 million outpatient center in 2009 and an approximately $50 million 50-bed inpatient facility in early 2015 (See "Medical Facilities" herein). The area surrounding JMC-C is attracting significant new retail, office (including medical offices), and high-density residential development. Two additional medical facilities are also located in the Town of Clayton, one affiliated with Duke University Health System (80,000 square-feet) and the other affiliated with WakeMed (38,000 square-feet), the largest regional hospital in the Raleigh-Durham-Chapel Hill area.

The County's agricultural economy is diversified with field crops, livestock, poultry, horticultural crops, forestry, agritourism, and agribusiness. This diversification in the local agricultural economy complements the industrial and commercial sectors. The major sources of farm income are from the production of tobacco, sweet potatoes, nursery and greenhouse crops, forestry and forest products, cattle, swine, turkeys, vegetable crops, cotton, grain, peanuts, and a mixture of other crops and livestock. There is a strong demand for leasing farmland in the County for the production of crops. The County routinely ranks among the top two to three counties in the nation in the production of sweet potatoes and flue-cured tobacco, and among the top counties in North Carolina in the production of greenhouse and nursery crops. Flue-cured tobacco continues to be the primary cash crop for local farms with an increasing production trend since the federal tobacco program buyout in 2005. Farm businesses have made significant investments in equipment to both continue and modernize agricultural production, while also diversifying farm production with vegetable crops and livestock. At the present time, there is a strong demand for the products and commodities produced on farms located in the County.

The County has also experienced growth in the retail sector in recent years. Many shopping centers offering a variety of retailers, grocery chains and specialty shops are located in the County. Carolina Premium Outlets, the largest retail complex in the County, is located along Interstate 95 in the Town of Smithfield, attracting regional shoppers as well as tourist traffic. The outlet center includes 83 stores with over 443,000 square-feet and several outparcels.

In the years prior to the national economic downturn, the County experienced significant residential development and is currently experiencing a resurgence of development in the wake of the national slowdown. In particular, the western and northern portions of the County in and around the Town of Clayton and the Cleveland community have experienced significant residential development over the past decade, with a recent increase in demand for new housing. Approximately 8,000 homes of varying sizes and price levels are in various stages of planning and expected to be built in communities within walking distance of various planned amenities and schools.

Significant economic indicators for the County are as follows:

Indicator	Johnston County	North Carolina
Population Increase 2001-2014	41.40%	21.24%
Projected Population Increase 2010-2020	19.01%	10.44%
Average Unemployment Rate 2014	5.50%	6.10%
Per Capita Income 2013	$36,391	$38,683
Median Household Income 2013	$50,904	$45,946

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Ad Valorem tax revenue is anticipated to grow by 3 percent over the next year, and sales tax revenue is anticipated to grow by 5.3 percent over the next year. The County will use modest increases in revenues to finance programs currently in place and service additional debt service for school construction.

Budgeted expenditures in the General Fund increased 7.8 percent, mainly due to increases in public safety, school current expense, and debt service. The largest budgeted expenditures are in school current expense and debt service.

Business – type Activities: The water, sewer and solid waste rates all had slight increases to cover the operations of these utility programs.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Johnston County, Post Office Box 1049, Smithfield, NC 27577. You can also call (919) 989-5112, visit our website at www.johnstonnc.com, or send an email to chad.mclamb@johnstonnc.com for more information.

APPENDIX D

Financial Information

Financial Statements

The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2015, 2014, and 2013. Copies of these financial statements containing the reports of the independent certified public accountants are available in the office of Mr. Chad McLamb, Finance Director, Post Office Box 1049, Smithfield, North Carolina 27577, (919) 989-5112.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the past five years, including the fiscal year ending June 30, 2014. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The County believes that the annual financial report for the fiscal year ended June 30, 2015 continues to meet the requirements under the Certificate of Achievement Program and will submit it to the GFOA for review.

The County financial statements are presented under Government Accounting Standards Board Statement No. 34 (GASB 34) model. This model, in addition to presenting the government-wide financial statements which are shown on pages D-2 through D-3 of this official statement, also includes fund and budgetary reporting.

The government-wide financial statements are prepared on the full accrual basis of accounting, which in the past has only been used to report the assets, liabilities, revenues, and expenses of providing enterprise-type services. The government-wide statements as prepared under GASB Statement No. 34 now report capital assets and all long-term obligations, for both its governmental-type and business-type activities. As a result, government officials can now demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as major funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the County's ability to manage and estimate its resources. See page D-8 for the presentation of the County's budgetary statement.

The following financial statements are the Basic Financial Statements of the County and the notes thereto, lifted from the Annual Financial Report of the Town for the fiscal year ended June 30, 2015.

Johnston County, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government			Component Units			
	Governmental Activities	Business Type Activities	Total Primary Government	Johnston ABC Board	Johnston Tourism Development	Johnston County Airport	Total Reporting Unit
ASSETS							
Cash and cash equivalents	$ 43,360,952	$ 33,644,197	$ 77,005,149	$ 2,321,712	$ 576,741	$ 716,547	$ 80,620,149
Receivables (net):							
Property Taxes	826,337	-	826,337	-	-	-	826,337
Accounts	1,651,936	3,830,796	5,482,732	-	101,747	71,562	5,656,041
Notes	120,000	-	120,000	-	-	-	120,000
Interest	860	102,898	103,758	576	-	-	104,334
Inventories	-	-	-	1,214,162	-	57,610	1,271,772
Internal Balances	70,448	(70,448)	-	-	-	-	-
Due from other governments	11,929,346	424,122	12,353,468	-	-	10,939	12,364,407
Prepaid items	-	1,607	1,607	-	-	23,903	25,510
Prepaid Pension Obligation	2,446,499	-	2,446,499	-	-	-	2,446,499
Restricted assets:							
Cash and cash equivalents	15,290,545	1,218,674	16,509,219	-	-	-	16,509,219
Net Pension Asset	4,473,441	465,555	4,938,996	54,552	24,067	24,649	5,042,264
Capital assets:							
Land, improvements, and construction in process	3,446,147	9,868,397	13,314,544	-	-	4,954,923	18,269,467
Other capital assets, net of depreciation	59,111,932	212,854,016	271,965,948	959,957	-	13,620,290	286,546,195
Total Capital assets	62,558,079	222,722,413	285,280,492	959,957	-	18,575,213	304,815,662
Total assets	$ 142,728,443	$ 262,339,814	$ 405,068,257	$ 4,550,959	$ 702,555	$ 19,480,423	$ 429,802,194
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge - refunding	$ 15,721,012	$ -	$ 15,721,012	$ -	$ -	$ -	$ 15,721,012
Contributions in current year	2,736,648	314,976	3,051,624	57,002	17,010	17,421	3,143,057
Pension related deferrals	125,970	14,067	140,037	-	-	-	140,037
Total deferred outflows of resources	$ 18,583,630	$ 329,043	$ 18,912,673	$ 57,002	$ 17,010	$ 17,421	$ 19,004,106
LIABILITIES							
Accounts payable and accrued liabilities	$ 4,309,870	$ 337,771	$ 4,647,641	$ 825,971	11,852	$ 8,064	$ 5,493,528
Payroll withholdings	8,774	-	8,774	-	-	-	8,774
Accrued liabilities	-	-	-	-	-	-	-
Prepaid decals - landfill	-	50,960	50,960	-	-	-	50,960
Solid waste fines	-	31,270	31,270	-	-	-	31,270
Utility deposits	-	1,652,825	1,652,825	-	-	-	1,652,825
Accrued interest	3,896,183	625,869	4,522,052	-	-	-	4,522,052
Current portion of long-term liabilities	30,264,615	5,140,910	35,405,525	-	-	27,497	35,433,022
Long-term liabilities:							
Accrued landfill closure and postclosure	-	14,182,917	14,182,917	-	-	-	14,182,917
Other Post Employment Benefits	48,944,508	6,015,417	54,959,925	-	-	318,743	55,278,668
Due in more than one year	293,830,693	109,125,636	402,956,329	820,680	-	151,291	403,928,300
Total liabilities	$ 381,254,643	$ 137,163,575	$ 518,418,218	$ 1,646,651	$ 11,852	$ 505,595	$ 520,582,316
DEFERRED INFLOWS OF RESOURCES							
Prepayments	$ 128,857	$ 16,076,230	$ 16,205,087	$ -	$ -	$ -	$ 16,205,087
Pension related deferrals	9,854,606	1,134,673	10,989,279	132,956	58,658	60,076	11,240,969
Total deferred inflows of resources	$ 9,983,463	$ 17,210,903	$ 27,194,366	$ 132,956	$ 58,658	$ 60,076	$ 27,446,056
NET POSITION							
Net investment in capital assets	$ 60,050,742	$ 108,836,630	$ 168,887,372	$ 959,957	-	$ 18,425,089	$ 188,272,418
Restricted for:							
Stabilization by State Statute	13,928,080	-	13,928,080	-	101,747	-	14,029,827
Capital projects	13,410,465	-	13,410,465	-	-	-	13,410,465
Working Capital	-	-	-	397,290	-	-	397,290
Unrestricted	(317,315,320)	(542,251)	(317,857,571)	1,471,107	547,308	507,084	(315,332,072)
Total net position	$ (229,926,033)	$ 108,294,379	$ (121,631,654)	$ 2,828,354	$ 649,055	$ 18,932,173	$ (99,222,072)

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position						
					Primary Government						
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Johnston ABC Board	Johnston Tourism Development	Johnston Airport Authority	Total Reporting Unit
Primary government:											
Government activities:											
General government	$ 17,441,737	$ 5,122,678	$ -	$ -	$ (12,319,059)	$ -	$ (12,319,059)	$ -	$ -	$ -	$ (12,319,059)
Public safety	41,772,868	8,418,927	3,414,160	-	(29,939,781)	-	(29,939,781)	-	-	-	(29,939,781)
Economic and physical development	7,054,496	70,749	1,172,782	-	(5,810,965)	-	(5,810,965)	-	-	-	(5,810,965)
Human services	44,860,537	5,165,100	23,454,261	-	(16,241,176)	-	(16,241,176)	-	-	-	(16,241,176)
Cultural and recreational	441,000	83,963	-	-	(357,037)	-	(357,037)	-	-	-	(357,037)
Education	83,659,603	-	-	2,307,665	(81,351,938)	-	(81,351,938)	-	-	-	(81,351,938)
Interest Expense	14,861,209	-	-	-	(14,861,209)	-	(14,861,209)	-	-	-	(14,861,209)
Total governmental activities	210,091,450	18,861,417	28,041,203	2,307,665	(160,881,165)	-	(160,881,165)	-	-	-	(160,881,165)
Business-type activities:											
Administrative	1,149,732	794,946	-	-	-	(354,786)	(354,786)	-	-	-	(354,786)
Solid Waste	2,753,855	5,627,726	764,065	-	-	3,637,936	3,637,936	-	-	-	3,637,936
Water Districts	10,926,513	11,837,998	-	-	-	911,485	911,485	-	-	-	911,485
Water	14,145,320	9,169,431	121,025	-	-	(4,854,864)	(4,854,864)	-	-	-	(4,854,864)
Wastewater	8,706,326	9,255,680	-	683,240	-	1,232,594	1,232,594	-	-	-	1,232,594
Housing assistance	3,633,593	-	3,556,777	-	-	(76,816)	(76,816)	-	-	-	(76,816)
Total business-type activities	41,315,339	36,685,781	4,441,867	683,240	-	495,549	495,549	-	-	-	495,549
Total primary government	$ 251,406,789	$ 55,547,198	$ 32,483,070	$ 2,990,905	$ (160,881,165)	$ 495,549	$ (160,385,616)	$ -	$ -	$ -	$ (160,385,616)
Component units:											
Johnston ABC Board	$ 13,454,689	$ 13,409,361	$ -	$ -	$ -	$ -	$ -	$ (45,328)	$	$ -	$ (45,328)
Johnston Tourism Development	941,601	-	-	-	-	-	-	-	(941,601)	-	(941,601)
Johnston County Airport Authority	1,680,618	1,187,735	-	456,299	-	-	-	-		(36,584)	(36,584)
Total component units	$ 16,076,908	$ 14,597,096	$ -	$ 456,299	$ -	$ -	$ -	$ (45,328)	$ (941,601)	$ (36,584)	$ (1,023,513)
General Revenues:											
Ad valorem taxes					113,356,175	-	113,356,175	-	-	-	113,356,175
Local option sales tax					31,254,178	-	31,254,178	-	-	-	31,254,178
Other taxes					9,004,012	-	9,004,012	-	1,053,960	-	10,057,972
Unrestricted intergovernmental					1,515,419	-	1,515,419	-	-	-	1,515,419
Investment income					44,392	2,521,902	2,566,294	-	567	287	2,567,148
Gain/Loss of sale/disposal of assets					94,559	80,365	174,924	-	-	(37,285)	137,639
Miscellaneous					138,770	234,378	373,148	3,872	8,261	-	385,281
Transfers					-	-	-	-	-	-	-
Total general revenues and transfers					$ 155,407,505	$ 2,836,645	$ 158,244,150	$ 3,872	$ 1,062,788	$ (36,998)	$ 159,273,812
Change in net position					(5,473,660)	3,332,194	(2,141,466)	(41,456)	121,187	(73,582)	(2,135,317)
Net position - beginning					(218,469,133)	105,485,471	(112,983,662)	2,937,921	560,040	19,038,705	(90,446,996)
Restatement					(4,989,016)	(622,339)	(5,611,355)	(68,111)	(32,172)	(32,950)	(5,744,588)
Prior Period Adjustment					(994,224)	99,053	(895,171)	-	-	-	(895,171)
Net position - beginning (as restated)					(224,452,373)	104,962,185	(119,490,188)	2,869,810	527,868	19,005,755	(97,086,755)
Net position - ending					$ (229,926,033)	$ 108,294,379	$ (121,631,654)	$ 2,828,354	$ 649,055	$ 18,932,173	$ (99,222,072)

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Governmental Funds
Balance Sheet
June 30, 2015

	Major		Non-Major	
	General	School Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 40,326,410	$ -	$ 3,034,542	$ 43,360,952
Restricted cash	330,843	14,959,702	-	15,290,545
Receivables (net):				-
Taxes	635,570	-	59,883	695,453
Accounts	1,539,239	-	112,697	1,651,936
Interest	860	-	-	860
Notes	120,000	-	-	120,000
Due from other funds	-	-	70,448	70,448
Due from other governments	11,906,304	-	23,042	11,929,346
Prepaid items	-	-	-	-
Total assets	$ 54,859,226	$ 14,959,702	$ 3,300,612	$ 73,119,540
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 2,722,626	$ 1,549,237	$ 38,007	$ 4,309,870
Payroll withholdings	8,399	-	375	8,774
Due to other funds	-	-	-	-
Total liabilities	2,731,025	1,549,237	38,382	4,318,644
DEFERRED INFLOWS OF RESOURCES				
Prepaid Taxes	128,857	-	-	128,857
Taxes receivable	635,570	-	59,883	695,453
Total deferred inflows of resources	764,427	-	59,883	824,310
Fund balances:				
Nonspendable				
Prepaid items	$ -	$ -	$ -	$ -
Restricted				
Stabilization by State Statute	13,928,080	-	-	13,928,080
Capital Projects - Schools	-	13,410,465	-	13,410,465
Committed				-
Economic Development	425,650	-	633,507	1,059,157
Public Safety	1,259,180	-	2,301,321	3,560,501
Mental Health	350,000	-	-	350,000
Automation Enhancement	274,868	-	-	274,868
Capital Purchases (fee in lieu)	879,507		-	879,507
Industrial Infrastructure	-		267,519	267,519
Assigned				
Subsequent year's expenditures	3,962,737	-	-	3,962,737
Unassigned	30,283,752	-	-	30,283,752
Total fund balances	$ 51,363,774	$ 13,410,465	$ 3,202,347	$ 67,976,586
Total liabilities, deferred inflows of resources, and fund balances	$ 54,859,226	$ 14,959,702	$ 3,300,612	$ 73,119,540

The Notes to the Financial Statements are an Integral Part of this Statement

JOHNSTON COUNTY, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	$	67,976,586
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		106,593,765
Less accumulated depreciation		(44,035,686)
Net capital assets		62,558,079
Net Pension Asset		4,473,441
Contributions to the pension plan in the current fiscal year		
LGERS		2,731,015
ROD		5,633
Deferred outflows related to pensions		
LGERS		121,961
ROD		4,009
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources.		15,721,012
Amount of prepaid separation allowance; not recorded on fund statements, but is recorded on government-wide statement		2,446,499
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements		130,884
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide.		695,453
Pension related deferrals		
LGERS		(9,838,238)
ROD		(16,368)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:		
Bonds, leases, and installment financing		(297,729,525)
Compensated absences		(3,061,599)
Other Post Employment Benefits		(48,944,508)
Unamortized bond premium		(23,304,184)
Accrued interest payable		(3,896,183)
		(376,935,999)
Net position of governmental activities	$	(229,926,033)

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Governmental Fund Types			
	Major		Non-Major	
	General	School Bond Fund	Other Governmental Funds	Total
Revenues				
Ad valorem taxes	$ 114,023,769	$ -	$ 7,664,232	$ 121,688,001
Local option sales taxes	31,254,178	-	-	31,254,178
Other taxes and licenses	35,052	-	1,352,366	1,387,418
Unrestricted intergovernmental	1,544,077	-	-	1,544,077
Restricted intergovernmental	34,194,821	-	462,000	34,656,821
Permits and fees	7,387,444	-	-	7,387,444
Sales and services	7,006,380	-	-	7,006,380
Investment earnings	41,948	2,444	-	44,392
Miscellaneous	128,725	-	208,742	337,467
Total revenues	$ 195,616,394	$ 2,444	$ 9,687,340	$ 205,306,178
Expenditures				
Current:				
General government	$ 16,130,259	$ -	$ -	$ 16,130,259
Public safety	32,394,484	-	7,991,677	40,386,161
Economic and physical development	3,171,181	-	3,624,913	6,796,094
Human services	42,980,839	-	-	42,980,839
Cultural and recreational	441,000	-	-	441,000
Education	57,659,058	24,975,555	835,139	83,469,752
Debt service:				-
Principal retirement	25,669,256	-	-	25,669,256
Interest and fees	12,117,362	-	-	12,117,362
Total expenditures	$ 190,563,439	$ 24,975,555	$ 12,451,729	$ 227,990,723
Revenues over (under) expenditures	$ 5,052,955	$ (24,973,111)	$ (2,764,389)	$ (22,684,545)
Other financing sources (uses):				
Proceeds from bonds	$ -	$ 18,000,000	$ -	$ 18,000,000
Issuance of Refunding Bonds	-	64,935,000	-	64,935,000
Payment to Refunded Bonds Escrow	-	(71,988,254)	-	(71,988,254)
Premium on Bonds	-	9,489,907	-	9,489,907
Bond issuance cost	-	(449,837)	-	(449,837)
Transfers from other funds	-	-	3,230,388	3,230,388
Transfers to other funds	(3,230,388)	-	-	(3,230,388)
Total other financing sources (uses)	$ (3,230,388)	$ 19,986,816	$ 3,230,388	$ 19,986,816
Net Change in Fund Balance	$ 1,822,567	$ (4,986,295)	$ 465,999	$ (2,697,729)
Fund balances, beginning of year	49,964,939	18,396,760	2,736,348	71,098,047
Prior Period Adjustment	(423,732)	-	-	(423,732)
Fund balances, end of year	$ 51,363,774	$ 13,410,465	$ 3,202,347	$ 67,976,586

The Notes to the Financial Statements are an Integral Part of this Statement.

JOHNSTON COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	$	(2,697,729)
Capital Outlay Expenditures recorded in the fund statements but capitalized as assets in the statement of activities.		2,593,326
Depreciation Expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.		(4,265,688)
Gain on Disposal of assets during the year.		(20,794)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		2,736,648
New debt issued during the year is recorded as a source of funds on the fund statements; it has not effect on the statement of activities -- it affects only the government-wide statement of net position.		(82,935,000)
Expenses reported on fund statements that are capitalized on government-wide statements - bond refunding costs		5,753,254
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.		91,904,256
Deferred refunding charges and premiums on new bond refundings that are recorded on government-wide statements but not on fund statements		(9,489,907)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.		
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		(2,525,016)
Amortization of Bond refunding costs		(1,355,467)
Amortization of premium on bond refunding		1,586,473
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.		(117,895)
Increase in Prepaid Pension Obligation		64,599
Increase in Other Post Employment Benefits Liability		(5,770,957)
County's portion of collective pension expense		(266,169)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.		
Increase (Decrease) in deferred revenue for year ended 6/30/15		(595,280)
Increase (Decrease) in accrued taxes receivable for year ended 6/30/15		(72,314)
Change in net position of governmental activities	$	(5,473,660)

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	$ 112,524,893	$ 112,524,893	$ 114,023,769	$ 1,498,876
Local option sales tax	28,056,000	28,056,000	31,254,178	3,198,178
Other taxes and licenses	1,824,180	35,000	35,052	52
Unrestricted intergovernmental	1,289,800	1,305,800	1,544,077	238,277
Restricted intergovernmental	30,715,816	36,865,964	34,194,821	(2,671,143)
Permits and fees	4,501,000	6,178,800	7,387,444	1,208,644
Sales and services	7,899,895	6,478,234	7,006,380	528,146
Investment earnings	50,175	50,175	41,765	(8,410)
Miscellaneous	-	75,500	128,725	53,225
Total revenues	$ 186,861,759	$ 191,570,366	$ 195,616,211	$ 4,045,845
Expenditures				
Current:				
General government	$ 14,565,460	$ 13,565,606	$ 16,130,259	$ (2,564,653)
Public safety	30,595,742	34,294,065	32,394,484	1,899,581
Economic and physical development	3,534,202	3,427,893	3,171,181	256,712
Human services	44,471,596	47,305,943	42,980,839	4,325,104
Cultural and recreational	-	441,000	441,000	-
Intergovernmental:				
Education	57,600,000	57,660,000	57,659,058	942
Debt service:				
Principal retirement	25,522,678	25,669,256	25,669,256	-
Interest and other charges	12,118,472	12,118,472	12,117,362	1,110
Total expenditures	$ 188,408,150	$ 194,482,235	$ 190,563,439	$ 3,918,796
Revenues over (under) expenditures	$ (1,546,391)	$ (2,911,869)	$ 5,052,772	$ 7,964,641
Other financing sources (uses):				
Transfers to other funds	$ (3,570,388)	$ (3,570,388)	$ (3,570,388)	$ -
Transfers from other funds	431,000	100,000	-	(100,000)
Appropriated fund balance	4,685,779	6,382,257	-	(6,382,257)
Installment purchase proceeds	-	-	-	-
Total other financing sources (uses)	$ 1,546,391	$ 2,911,869	$ (3,570,388)	$ (6,482,257)
Net change in fund balance	$ -	$ -	$ 1,482,384	$ 1,482,384
Fund balance, beginning			49,974,279	
Prior Period Adjustment			(423,732)	
Fund balance, ending			$ 51,032,931	
A legally budgeted Tax Reassessment Fund is consolidatec into the General Fund for reporting purposes:				
Investment Earnings			183	
Transfer from General Fund			340,000	
Expenditures			-	
Fund Balance, beginning			(9,340)	
Fund Balance, ending (Exhibit 4)			$ 51,363,774	

The Notes to the Financial Statements are an Integral Part of this Statement

Johnston County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water Fund	Wastewater Treatment Fund	Water District Operating Fund	NON-MAJOR Other Proprietary Funds	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,213,553	$ 9,292,536	$ 10,467,914	$ 10,670,194	$ 33,644,197
Restricted cash	313,580	550	904,544	-	1,218,674
Receivables (net):	-			-	-
Accounts	288,150	832,904	2,257,344	452,398	3,830,796
Interest	102,856	-	42	-	102,898
Due from other funds	2,592,778	-	-	1,533,145	4,125,923
Due from other governments	96,059	53,046	39,646	235,371	424,122
Due from Water Districts - Current Portion of LOBs	1,360,000	-	-	-	1,360,000
Prepaid items	-	-	-	1,607	1,607
Total current assets	7,966,976	10,179,036	13,669,490	12,892,715	44,708,217
Noncurrent assets:					
Net Pension Asset	195,441	85,890	-	184,224	465,555
Due from Water Districts - Noncurrent portion of LOBs	56,965,000	-	-	-	56,965,000
Capital assets, net	72,404,141	50,953,318	87,298,448	12,066,506	222,722,413
Total noncurrent assets	129,564,582	51,039,208	87,298,448	12,250,730	280,152,968
Total assets	$ 137,531,558	$ 61,218,244	$ 100,967,938	$ 25,143,445	$ 324,861,185
DEFERRED OUTFLOWS OF RESOURCES	$ 138,133	$ 60,705	$ -	$ 130,205	$ 329,043
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	$ 107,287	$ 52,934	$ 78	$ 177,472	$ 337,771
Due to other funds	-	1,692,202	2,494,245	9,924	4,196,371
Prepaid decals - landfill	-	-	-	50,960	50,960
Solid Waste fines	-	-	-	31,270	31,270
Current maturities of long-term debt	2,701,084	2,018,910	267,278	-	4,987,272
Utility deposits	-	550	835,785	-	836,335
Accrued interest	273,388	90,085	262,396	-	625,869
Other deposits	197,498	14,100	-	604,892	816,490
Due to the County (LOBs)	-	-	1,360,000	-	1,360,000
Compensated Absenses Payable	73,807	23,019	-	56,812	153,638
Total current liabilities	3,353,064	3,891,800	5,219,782	931,330	13,395,976
Long-term liabilities:					
Accrued landfill closure and postclosure	-	-	-	14,182,917	14,182,917
Other Post Employment Benefits	2,069,272	1,252,124	-	2,694,021	6,015,417
Long-term debt	77,349,578	25,191,642	6,357,291	-	108,898,511
Due to the County (LOBs)	-	-	56,965,000	-	56,965,000
Compensated absences payable	109,111	34,029	-	83,985	227,125
Total long-term liabilities	79,527,961	26,477,795	63,322,291	16,960,923	186,288,970
Total liabilities	$ 82,881,025	$ 30,369,595	$ 68,542,073	$ 17,892,253	$ 199,684,946
DEFERRED INFLOWS OF RESOURCES	$ 16,552,569	$ 209,335	$ -	$ 448,999	$ 17,210,903
NET POSITION					
Net investment in capital assets	$ 50,678,479	$ 23,742,766	$ 22,348,879	$ 12,066,506	$ 108,836,630
Restricted	-	-	-	-	-
Unrestricted	(12,442,382)	6,957,253	10,076,986	(5,134,108)	(542,251)
Total net position	$ 38,236,097	$ 30,700,019	$ 32,425,865	$ 6,932,398	$ 108,294,379

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2015

	Water Fund	Wastewater Treatment Fund	Water District Operating Fund	NON-MAJOR Other Proprietary Funds	Total
Operating revenues:					
Charges for services	$ 8,802,616	$ 9,251,875	$ 11,837,998	$ 6,422,672	$ 36,315,161
Water and sewer taps	366,815	3,805	-	-	370,620
Total operating revenues	9,169,431	9,255,680	11,837,998	6,422,672	36,685,781
Operating expenses:					
General operating	7,362,356	3,831,244	5,569,567	9,528,888	26,292,055
Depreciation and amortization	3,608,008	4,280,429	2,801,297	1,359,856	12,049,590
Total operating expenses	10,970,364	8,111,673	8,370,864	10,888,744	38,341,645
Operating income (loss)	$ (1,800,933)	$ 1,144,007	$ 3,467,134	$ (4,466,072)	$ (1,655,864)
Nonoperating revenues (expenses):					
Disposal and state 1% tax	-	-	-	380,323	380,323
Solid Waste Fees	-	-	-	265,804	265,804
Landfill Gas to Energy Proceeds	-	-	-	104,264	104,264
Sales tax refunds	-	-	-	-	-
Investment earnings	2,503,577	1,084	12,319	4,922	2,521,902
Late fees collected	-	-	-	2,450	2,450
Miscellaneous	-	38,947	160,480	14,826	214,253
Gain (Loss) on Sale of capital assets	6,138	6,417	-	67,810	80,365
Capital commodity surcharge	-	-	-	-	-
Reimbursement - NCDOT	121,025	-	-	13,674	134,699
Landfill closure costs	-	-	-	3,351,564	3,351,564
Operating subsidy - HUD	-	-	-	3,556,777	3,556,777
Fraud recovery	-	-	-	17,675	17,675
Interest and bond issuance costs	(3,174,956)	(594,653)	(2,555,649)	-	(6,325,258)
Other Expenditures	-	-	-	-	-
Total nonoperating revenues (expenses)	(544,216)	(548,205)	(2,382,850)	7,780,089	4,304,818
Income (loss) before transfers and contributions	$ (2,345,149)	$ 595,802	$ 1,084,284	$ 3,314,017	$ 2,648,954
Transfers in	1,608,887	-	-	-	1,608,887
Transfers out	(72,787)	-	(1,536,100)	-	(1,608,887)
Capital contributions	-	683,240	-	-	683,240
Change in net position	(809,049)	1,279,042	(451,816)	3,314,017	3,332,194
Total net position, beginning	39,292,600	29,514,035	32,877,681	3,801,155	105,485,471
Restatement	(261,259)	(114,815)	-	(246,265)	(622,339)
Prior Period Adjustment	13,805	21,757	-	63,491	99,053
Total net assets - beginning (as restated)	39,045,146	29,420,977	32,877,681	3,618,381	104,962,185
Total net position, ending	$ 38,236,097	$ 30,700,019	$ 32,425,865	$ 6,932,398	$ 108,294,379

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2015

	Water Fund	Wastewater Treatment Fund	Water District Operating Fund	NON-MAJOR Other Proprietary Funds	Total
Cash Flows From Operating Activities					
Cash received from customers	$ 8,704,428	$ 9,211,307	$ 11,536,214	$ 6,581,693	$ 36,033,642
Cash paid for goods and services	(4,902,729)	(2,735,362)	(5,569,800)	(3,871,900)	(17,079,791)
Cash paid to employees	(2,337,645)	(1,023,895)	-	(2,545,821)	(5,907,361)
Cash paid for housing assistance	-	-	-	(3,248,814)	(3,248,814)
Miscellaneous	-	38,947	160,480	34,951	234,378
Net cash provided by (used in) operating activities	1,464,054	5,490,997	6,126,894	(3,049,891)	10,032,054
Cash Flows From Noncapital Financing Activities					
Transfer from (to) other funds	1,536,100	-	(1,536,100)	-	-
Due to / from other funds	(7,349)	-	-	7,349	-
Operating subsidy - HUD	-	-	-	3,556,777	3,556,777
Net cash provided by (used in) financing activities	1,528,751	-	(1,536,100)	3,564,126	3,556,777
Cash Flows From Capital and Related Financing Activities					
Disposal and State 1% tax	-		-	380,323	380,323
Solid Waste fees	-	-	-	265,804	265,804
Landfill Gas to Energy Proceeds	-	-	-	104,264	104,264
State Electronics Fund	-	-	-	13,674	13,674
Sale of capital assets	6,138	6,417	-	67,810	80,365
Issuance of debt related to capital	132,795	258,646	-	-	391,441
Due from Water Districts (LOBs)	1,435,000	-	(1,435,000)	-	-
Capital contributions	-	683,240	-	-	683,240
Other Contributions	121,025	-	-	-	121,025
Interest and bond issuance costs	(3,100,041)	(632,072)	(2,595,695)	-	(6,327,808)
Acquisition of capital assets	(537,110)	(1,287,855)	-	(692,642)	(2,517,607)
Repayment of debt obligations	(2,733,771)	(2,137,526)	(114,325)	-	(4,985,622)
Net cash provided by (used in) capital and related financing activities	(4,675,964)	(3,109,150)	(4,145,020)	139,233	(11,790,901)
Cash Flows From Investing Activities					
Investment Income	2,503,932	1,084	12,311	4,922	2,522,249
Net cash provided by (used in) investing activities	2,503,932	1,084	12,311	4,922	2,522,249
Net increase (decrease) in cash and cash equivalents/investments	820,773	2,382,931	458,085	658,390	4,320,179
Cash and cash equivalents/investments					
Beginning of year	2,706,360	6,910,155	10,914,373	10,011,804	30,542,692
End of year	$ 3,527,133	$ 9,293,086	$ 11,372,458	$ 10,670,194	$ 34,862,871

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2015

	Water Fund	Wastewater Treatment Fund	Water District Operating Fund	NON-MAJOR Other Proprietary Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (1,800,933)	$ 1,144,007	$ 3,467,134	$ (4,466,072)	$ (1,655,864)
Nonoperating (miscellaneous)	-	38,947	160,480	34,951	234,378
Depreciation	3,608,008	4,280,429	2,801,297	1,359,856	12,049,590
Pension expense	13,733	6,035	-	12,945	32,713
(Increase) decrease in:				-	-
Accounts receivable	45,782	(44,373)	(349,289)	(58,905)	(406,785)
Prepaid expenses	-	-	-	(155)	(155)
Deferred outflows of resources for pensions	(132,228)	(58,110)	-	(124,639)	(314,977)
Increase (decrease) in:				-	-
Compensated absences payable	19,618	(8,102)	-	1,482	12,998
Utility deposits	-	-	47,505	-	47,505
Other deposits	(16,459)	-	-	151,999	135,540
Accounts payable and accrued expenses	(14,935)	29,332	(233)	(259,745)	(245,581)
Deferred Revenue	(494,326)	-	-	-	(494,326)
Other Post Employment Benefits	235,794	102,832	-	247,432	586,058
Prepaid Decals-Landfill	-	-	-	50,960	50,960
Total adjustments	3,264,987	4,346,990	2,659,760	1,416,181	11,687,918
Net cash provided by (used in) operating activities	$ 1,464,054	$ 5,490,997	$ 6,126,894	$ (3,049,891)	$ 10,032,054

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Pension Trust Fund	Agency Funds
Assets		
Cash and investments (see note below)	$ 1,637,489	$ 277,807
Due from other governments	-	1,287,994
Total assets	1,637,489	1,565,801
Liabilities and Net Position		
Accounts payable	(265)	143,481
Due to other funds		-
Due to other governments	-	1,422,320
Total liabilities	(265)	1,565,801
Net Position		
Held in trust (Fiduciary net assets)	$ 1,637,754	$ -

Note:
Cash and investments for the Pension Trust Fund includes $1,473,829 investested in NCCMT.

The Notes to the Financial Statements are an Integral Part of this Statement.

Johnston County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Pension Trust Fund
Additions	
Employer contributions	$ 233,351
Investment Income	267
Total Additions	233,618
Deductions	
Administrative expenses	188,614
Total Deductions	188,614
Change in net position	45,004
Total net position - beginning	1,592,750
Total net position - ending	$ 1,637,754

The Notes to the Financial Statements are an Integral Part of this Statement.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the County of Johnston, North Carolina and its component units conform to generally accepted accounting principles 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 seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The blended component unit, although it is a legally separate entity, is, in substance, part of the County's operations. The discretely presented component units presented below are reported in separate columns in the County's combined financial statements in order to emphasize that they are legally separate from the County.

Blended Component Unit

- *Hopewell/Pisgah Water District; Clayton Water District; Cleveland Water District; Wilson's Mills Water District; McGee's Crossroads Water District; Princeton-Kenly Water District; Archer's Lodge Water District; Little Creek Water District; Brogden Water District; Elevations Water District; Meadow Water District; Buffalo Water District, Southeast Lowgrounds; Ingram's Township Water District; Little River Water District; and O'Neal's Water District.* The Districts exist to provide and maintain water systems for the county residents within the districts. Under State law (G.S. 162A-89), 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 operational responsibility for the Water Districts. The Districts do not issue separate financial statements.

- *Johnston County Section* 8 *Housing Assistance Payments Program* - The Housing Assistance Payment Program exists to assist eligible families within the County in securing housing in safe, low poverty neighborhoods at affordable costs. Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the Program, and the County has operational responsibility for the Program. Therefore, the Program is reported as an enterprise fund in the County's financial statements. The Program does not issue separate financial statements.

Discretely Presented Component Units

- *Johnston County Board of Alcoholic Control* - The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund.

- *Johnston County Airport Authority* - The Johnston County Airport Authority (the "Airport") is a corporate body which operates the airport in Johnston County. The County's governing body appoints the Airport's board members. The County is responsible for the debt of the Airport and maintains budgetary control over the Airport. The County also provides assistance for capital improvements. The Airport, which has a June 30 year-end, is represented as if it were a proprietary fund.

- *Johnston County Tourism Development Authority* - The Johnston County Tourism Development Authority is a corporate body which operates the Tourism functions for Johnston County. The County's governing body appoints the Tourism Authority's board members. The County maintains budgetary control over the Tourism Authority. The County also provides assistance for capital improvements. The Tourism Authority, which has a June 30 year-end, is represented as if it were a special revenue fund.

- *Johnston County Industrial Facility and Pollution Control Financing Authority* - Johnston 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. A seven-member Board of Commissioners, all of who are appointed by the County commissioners, governs the Authority. 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 financial statements. The Authority does not issue separate financial statements

Note 1- Summary of significant accounting policies (continued)

Complete financial statements for component units may be obtained at the administrative offices of each at:

Johnston County Airport Authority
3149-A Swift Creek Road
Smithfield, NC 27577

Johnston County Tourism Development Authority
PO Box 1049
Smithfield, NC 27577

Johnston County Board of Alcoholic Control
Highway 301 South
Smithfield, NC 27577

B. Basis of Presentation – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. 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 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, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund - This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

School Bond Fund – This fund is used to track revenue and expenditures for school projects financed with GO Bonds, COPS, QZABS or any other form of borrowing for school construction.

The County reports the following major enterprise funds:

Water Fund. This fund accounts for the operation of the County's water treatment and transmission.

Wastewater Treatment Fund. This fund accounts for the treatment and transmission of wastewater for the County.

Water District Operations Fund. This fund accounts for the activities of the water districts for the County.

Note 1- Summary of significant accounting policies (continued)

The County reports the following fund types:

Pension Trust Fund. The County has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The resources in the LEO Separation Allowance Fund have been set aside to pay future obligations of the LEO Special Separation Allowance but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

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 the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals for whom the County acts as the agent; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Cooperative Extension Advisory Fund which supports program expenses for Agricultural and Horticultural Programs, Family Consumer Science Programs, and Advisory Council Functions; the 4H Development Fund which supports program expenses for 4-H and Youth Extension Programs; and the Youth Livestock Fund which specifically supports livestock educational programs for youth ages 5 – 19.

Nonmajor Funds. The County maintains seven legally budgeted funds. The Tax Districts Fund, Jobs Training Program Fund, Heritage Commission Fund, Communication Fund, Research Training Zone, and Voluntary Ag District are reported as nonmajor special revenue funds. The Industrial Infrastructure Fund is reported as a capital project fund.

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 of accounting.

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 property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts recorded 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.

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 water and sewer 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.

Note 1- Summary of significant accounting policies (continued)

The County considers all revenues available if they are collected within 90 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1,2013, 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 State of North Caroina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fisal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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 position 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.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue, Capital Projects (excluding the School Bond Fund and Industrial Development Infrastructure) and Proprietary Funds (excluding the Water Districts Construction Funds). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the School Bond Fund, Industrial Development Infrastructure, the Water Districts Construction Funds and the Water/Sewer Construction Projects, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project Funds. The County Manager is authorized by budget ordinance to transfer appropriations between functional areas within a fund up to $5,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than $5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

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.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 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.

July 1 - The budget ordinance shall be adopted by the governing board.

Note 1- Summary of significant accounting policies (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the County, Johnston County Board of Alcoholic Control, Johnston County Tourism Development Authority, and Johnston County Airport Authority are made in board-designated official depositories and are secured as required by (G.S. 159-31). The County, the ABC Board, the Tourism Authority, and the Airport may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, the ABC Board, the Tourism Development Authority, and the Airport may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30 (c)) authorizes the County, the ABC Board, the Tourism Development Authority, and the Airport to invest in obligations of the United States or obligations fully guaranteed both as to principle and interest by the Unites 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 bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT").

The County, the ABC Board, the Tourism Development Authority, and the Airport's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and cash equivalents

The County pools money from several funds, except for the Pension Trust Fund 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 Johnston County Board of Alcoholic Control, the Johnston County Tourism Development Authority, and the Johnston County Airport Authority consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted assets

The unexpended bond proceeds of the County's Serial Bonds are classified as restricted assets within the Capital Projects fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the School Capital Projects Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22.

Restricted Cash

Governmental Activities			
General Fund	Tax revaluation	$	330,843
School Capital Projects Fund	Unexpended Public School Building funds		14,959,702
Total Governmental Activities		$	15,290,545
Business-Type Activities			
Water Fund	USDA Restrictions	$	116,082
	Customer deposits		197,498
Waste Water Fund	Unexpended bond proceeds		-
	Customer deposits		550
Water District Fund	Unexpended bond proceeds		-
	Customer deposits		835,785
	USDA Restrictions		68,759
Total Business-type Activities		$	1,218,674
Total Restricted Cash		$	16,509,219

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 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, 2014.

Allowance for doubtful accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and Prepaid Items

Inventories for the Johnston County Airport Authority are maintained for all sales merchandise and are stated at the lower of cost or market on a first-in, first-out basis.

The inventory of the ABC Board are valued at cost (first-in, first-out). The inventories consist of materials and supplies held for consumption. The cost of the inventory is recorded as an expense as it is consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the purchase method for prepaid expenses.

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 County defines capital assets as assets with an individual cost of $5,000 or more. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Johnston 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 the 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 Johnston County Board of Education.

Capital assets in the proprietary funds of the County and those of the ABC Board and the Airport are recorded at original cost at the time of acquisition. Capital assets donated to these proprietary fund type operations are recorded at the estimated fair market value at the date of donation.

Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

Description	Estimated Useful Lives
Buildings	40 Years
Other Improvements	10 Years
Equipment	5 Years
Furniture and Fixtures	5 Years
Computers	3 Years
Easements	3 Years
Vehicles	5 Years
Police	3 Years

Note 1- Summary of significant accounting policies (continued)

For the ABC Board, capital assets are depreciated over their useful lives on a straight-line basis as follows:

Description	Estimated Useful Lives
Buildings	20 Years
Furniture, fixtures and equipment	10 Years
Leasehold Improvements	0 - 20 Years

For the Airport, capital assets are depreciated over their useful lives on a straight-line basis as follows:

Description	Estimated Useful Lives
Terminal Building	50 Years
Clearing and excavation	75 Years
Runways and ramps	60 Years
Aircraft parking ramp	60 Years
Fuel tanks and pumps	25 Years
Lighting	25 Years
Equipment	10 Years

Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meets this criterion - a charge on refunding that had previously been classified as an asset, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and other pension related deferrals.

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 position.

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

Compensated absences

The vacation policies of the County and Airport provide for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

The vacation policy of the ABC Board is that vacations must be taken in the year they are earned; therefore, there is not accumulation of earned vacation leave. For the County's government-wide and proprietary funds, and the Airport, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, ABC Board, and the Airport provide 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. Since none of the entities have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Note 1- Summary of significant accounting policies (continued)

Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for School Capital Projects - portion of fund balance that is restricted for School Capital Projects.

Committed Fund Balance - Portion of fund balance that can only be used for specific purpose imposed by majority vote of Johnston County's governing body (highest level of decision making authority). Any changes or removal of specific purposes requires majority action by the governing body (i.e. passage of a budget resolution).

Economic Development - portion of fund balance that is restricted by revenue source for economic development purposes.

Public Safety - portion of fund balance that is restricted by revenue source for fire protection, emergency services, law enforcement, and emergency telephone purposes.

Mental Health - Mental Health, which is consolidated with the General Fund, is required to pay any excess fund balance to the County. This is the amount that the General Fund has acquired from Mental Health over the years as excess fund balance payments.

Tax Revaluation - portion of fund balance that is committed for tax revaluation.

Automation Enhancement and Preservation - portion of fund balance that is committed for automation enhancement projects.

Capital Purchases (fee in lieu) - portion of fund balance that is committed for the purchase of open space land or the purchase of land for recreation purposes.

Industrial Infrastructure - portion of fund balance that is committed for industrial infrastucture projects.

Assigned Fund Balance - portion of fund balance that the Johnston County governing board has budgeted. The governing board is the only body authorized to assign amounts to a specific purpose.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Note 1- Summary of significant accounting policies (continued)

Johnston County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

Johnston County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that legally available fund balance is at least equal to or greater than 15% of the total annual operating budget of the County. Any portion of the General Fund balance in excess of 15% of the total annual operating budget may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

Comparative data/ reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple-employer, definied benefit pension plans that are administered by the State; the Local Governmental Employees' retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered definied benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

Note 2 – Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

None to report.

Deficit fund balance or net position of individual funds

The following funds had a deficit fund balance or net position as of June 30, 2015:

Public Utilities - Administration	$ 1,108,629

The deficit balances were a result of timing differences between the receipt and expenditure of funds. The County will monitor this fund more closely to ensure that adequate funds are transferred to cover the expenditures. These deficits are covered by the Water Fund.

Excess of Expenditures over Appropriations

The general government function of the General Fund had expenditures greater than appropriations in the amount of $2,189,619. This over-expenditure was a direct result of budget presentation that was preferred by the County. A negative budgetary item was adopted in nondepartmental, which was consolidated with the general government function. Had this budgetary item been shown differently (i.e. in each respective function instead of lumped together as nondepartmental), this over-expenditure would not have occurred. The responsible parties will look into this in presenting the next budget.

Note 3 – Deposits and investments

Deposits - All of the County's, the ABC Board's, the Tourism Development Authority, and the Airport'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 level are collateralized with securities held by the County's, the ABC Board's, the Tourism Authority, or the Airport's agents in these units' names. 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, the ABC Board, the Tourism Development Authority, and the Airport, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest 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, the ABC Board, the Tourism Development Authority, the Airport, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the ABC Board, the Tourism Development Authority, or the Airport under the Pooling Method, the potential exists for the 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County and the ABC Board do not have policies regarding custodial credit risk for deposits.

At June 30, 2015 the County's deposits had a carrying amount of $58,455,835 and a bank balance of $61,222,018. Of the bank balance, $1,020,026 was covered by federal depository insurance; the remaining $60,201,992 was covered by collateral and held under the Pooling Method. The County had cash on hand in the amount of $6,581.

At June 30, 2015, the carrying amount of deposits for the Johnston County ABC Board was $1,866,162, and the bank balance was $2,068,619. All of the bank balances were covered by federal depository insurance except for $1,831,407. In addition the ABC board had Certificates of Deposits in the amount of $450,000 with a maturity of six months on the date of purchase.

At June 30, 2015, the carrying amount of deposits for the Johnston County Tourism Development Authority was $576,491, and the bank balance was $605,413. Of the bank balance, $500,000 was covered by federal depository insurance.

At June 30, 2015, the carrying amount of deposits for the Johnston County Airport Authority was $716,302 and the bank balance was $722,186. Of the bank balance, $250,000 was covered by federal depository insurance; the remaining $222,186 was covered by collateral and held under the Pooling Method. The Airport had cash on hand in the amount of $245.

At June 30, 2015, the investments of the County consisted of $36,967,248 in the North Carolina Capital Management Trust, which carried a credit rating of AAAm by Standard and Poors. This amount reflects both the reported and the fair value. The County has no policy regarding credit risk.

Note 4 - Property tax - use value assessment on certain lands

In accordance with the general statutes, agriculture, horticulture, and forestland 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 re-computed at market value for the current year and the three preceding fiscal years along with 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
2011	$ 6,086,192	$ 1,445,471	$ 7,531,663
2012	6,129,679	904,128	7,033,807
2013	6,149,494	353,596	6,503,090
2014	6,181,689	-	6,181,689
	$ 24,547,054	$ 2,703,195	$ 27,250,249

Note 5 – Receivables

Receivables at the government-wide level at June 30, 2015, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Other	Total
Governmental Activities:					
General	$ 1,539,239	$ 1,007,454	$ 11,906,304	$ 120,000	$ 14,572,997
Other Governmental	112,697	59,883	23,042	-	195,622
Total Receivables	1,651,936	1,067,337	11,929,346	120,000	14,768,619
Allowance for Doubtful Accounts	-	(241,000)	-	-	(241,000)
Total Governmental Activities	$ 1,651,936	$ 826,337	$ 11,929,346	$ 120,000	$ 14,527,619
Business Type Activities:					
Administrative	$ -	$ -	$ 44,594	$ -	$ 44,594
Solid Waste	521,638	-	175,505	-	697,143
Water Fund	288,151	-	96,059	-	384,210
Wastewater	898,542	-	53,046	-	951,588
Section 8 Housing	-	-	15,272	-	15,272
Water District Operating Fund	3,859,853	-	39,646	-	3,899,499
Total Receivables	5,568,184	-	424,122	-	5,992,306
Allowance for doubtful accounts	(1,737,388)	-	-	-	(1,737,388)
Total Business-Type Activities	$ 3,830,796	$ -	$ 424,122	$ -	$ 4,254,918

Due from other governments that is owed to the County consists of the following:

Local option sales tax	$ 8,236,003
Department of Health & Human Services	1,988,988
NC Department of Revenue	315,518
Other governments	1,388,837
Total Governmental Activities	$ 11,929,346
Sales tax refund	$ 328,416
Scrap Tire, White Goods	95,706
Total Business-type Activities	$ 424,122

Notes receivable

The County’s note receivables are as follows:

A note in the amount of $120,000 due from the Town of Clayton without interest, repayable from annual acreage fees collected by the Town for the connection of water and sewer lines installed	$ 120,000
	$ 120,000

Note 6 – Capital assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletion	Transfers & Adjustments	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	$ 3,064,438	$ -	$ -	$ -	$ 3,064,438
Construction in Progress	290,815	357,041	(266,147)	-	381,709
Total capital assets not being depreciated	3,355,253	357,041	(266,147)	-	3,446,147
Other capital assets:					
Buildings	82,112,857	224,465	(6,189)	-	82,331,133
Other improvements	2,642,803	315,412	-	-	2,958,215
Equipment	10,873,541	437,881	(1,289,280)	-	10,022,142
Vehicles	6,232,948	1,524,674	(638,251)	-	7,119,371
Software	716,757	-	-	-	716,757
Total other capital assets at historical cost	102,578,906	2,502,432	(1,933,720)	-	103,147,618
Less accumulated depreciation for:					
Buildings	28,389,284	1,690,598	(928)	-	30,078,954
Other improvements	1,745,910	231,533	-	-	1,977,443
Equipment	7,174,563	1,165,231	(1,273,760)	-	7,066,034
Vehicles	4,313,658	1,089,452	(638,238)	-	4,764,872
Software	59,509	88,874	-	-	148,383
Total other capital assets at historical cost	41,682,924	4,265,688	(1,912,926)	-	44,035,686
Other capital assets, net	60,895,982	(1,763,256)	(20,794)	-	59,111,932
Governmental activities capital assets, net	$ 64,251,235	$ (1,406,215)	$ (286,941)	$ -	$ 62,558,079

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

Governmental Activities	
General Government	$ 1,476,965
Public Safety	2,191,510
Human Services	272,894
Economic and physical development	134,468
Education	189,851
Total depreciation expenses	$ 4,265,688

Note 6 – Capital assets (continued)

The summary for the *Proprietary Funds* of the County at June 30, 2015 are composed as follows:

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
ADMINISTRATION				
Capital assets not being depreciated:				
Land	$ 210,000	$ -	$ -	$ 210,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	210,000	-	-	210,000
Capital assets being depreciated				
Land improvements	-	-	-	-
Plant & Distribution	9,995	-	-	9,995
Equipment	72,674	-	-	72,674
Vehicles	50,725	-	-	50,725
Total capital assets being depreciated	133,394	-	-	133,394
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Plant & Distribution	9,995	-	-	9,995
Equipment	60,049	3,607	-	63,656
Vehicles	1,255	10,145	-	11,400
Total accumulated depreciation	71,299	13,752	-	85,051
Administration capital assets, net	$ 272,095	$ (13,752)	$ -	$ 258,343

	Beginning Balances	Increases	Decreases	Ending Balances
SOLID WASTE				
Capital assets not being depreciated:				
Land	$ 5,642,031	$ -	$ -	$ 5,642,031
Construction in progress	-	-	-	-
Total capital assets not being depreciated	5,642,031	-	-	5,642,031
Capital assets being depreciated				
Land improvements	-	-	-	-
Plant & Distribution	23,486,251	643,198	(645,604)	23,483,845
Equipment	-	-	-	-
Vehicles	1,254,857	31,867	(18,480)	1,268,244
Total capital assets being depreciated	24,741,108	675,065	(664,084)	24,752,089
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Plant & Distribution	17,038,710	1,262,579	(645,604)	17,655,685
Equipment	-	-	-	-
Vehicles	1,043,768	74,842	(18,480)	1,100,130
Total accumulated depreciation	18,082,478	1,337,421	(664,084)	18,755,815
Solid Waste capital assets, net	$ 12,300,661	$ (662,356)	$ -	$ 11,638,305

Note 6 – Capital assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
WATER				
Capital assets not being depreciated:				
Land	$ 1,040,732	$ -	$ -	$ 1,040,732
Construction in progress	4,957,362	444,949	(4,905,280)	497,031
Total capital assets not being depreciated	5,998,094	444,949	(4,905,280)	1,537,763
Capital assets being depreciated				
Land improvements	-	-	-	-
Plant & Distribution	92,091,526	4,911,599	-	97,003,125
Equipment	15,525	-	-	15,525
Vehicles	1,115,028	85,842	(29,882)	1,170,988
Intangible	8,098,375	-	-	8,098,375
Total capital assets being depreciated	101,320,454	4,997,441	(29,882)	106,288,013
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Plant & Distribution	30,647,172	3,234,368	-	33,881,540
Equipment	15,525	-	-	15,525
Vehicles	753,085	99,931	(29,882)	823,134
Intangible	427,727	273,709	-	701,436
Total accumulated depreciation	31,843,509	3,608,008	(29,882)	35,421,635
Water capital assets, net	$ 75,475,039	$ 1,834,382	$ (4,905,280)	$ 72,404,141

	Beginning Balances	Increases	Decreases	Ending Balances
WASTE WATER				
Capital assets not being depreciated:				
Land	$ 1,324,631	$ -	$ -	$ 1,324,631
Construction in progress	1,368,122	1,189,939	(1,404,089)	1,153,972
Total capital assets not being depreciated	2,692,753	1,189,939	(1,404,089)	2,478,603
Capital assets being depreciated:				
Land Improvements	41,156	-	-	41,156
Plant & Distribution	84,069,858	1,449,192	-	85,519,050
Equipment	-	-	-	-
Vehicles	502,028	52,813	(42,839)	512,002
Total capital assets being depreciated	84,613,042	1,502,005	(42,839)	86,072,208
Less accumulated depreciation for:				
Land Improvements	26,218	-	-	26,218
Plant & Distribution	32,934,550	4,258,070	-	37,192,620
Equipment	-	-	-	-
Vehicles	399,135	22,359	(42,839)	378,655
Total accumulated depreciation	33,359,903	4,280,429	(42,839)	37,597,493
Wastewater Fund capital assets, net	$ 53,945,892	$ (1,588,485)	$ (1,404,089)	$ 50,953,318

Note 6 – Capital assets (continued)

WATER DISTRICTS	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Land Improvements	-	-	-	-
Plant & Distribution	93,241,773	-	-	93,241,773
Equipment	-	-	-	-
Vehicles	-	-	-	-
Intangibles	19,773,034	-	-	19,773,034
Total capital assets being depreciated	113,014,807	-	-	113,014,807
Less accumulated depreciation for:				
Land Improvements	-	-	-	-
Plant & Distribution	19,712,584	2,306,971	-	22,019,555
Equipment	-	-	-	-
Intangibles	3,202,478	494,326	-	3,696,804
Total accumulated depreciation	22,915,062	2,801,297	-	25,716,359
Water Districts - capital assets, net	$ 90,099,745	$ (2,801,297)	$ -	$ 87,298,448

Public Utilities Funds	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 8,217,394	$ -	$ -	$ 8,217,394
Construction in progress	6,325,484	1,634,888	(6,309,369)	1,651,003
Total capital assets not being depreciated	14,542,878	1,634,888	(6,309,369)	9,868,397
Capital assets being depreciated:				
Land Improvements	41,156	-	-	41,156
Plant & Distribution	292,899,403	7,003,989	(645,604)	299,257,788
Equipment	88,199	-	-	88,199
Vehicles	2,922,638	170,522	(91,201)	3,001,959
Intangibles	27,871,409	-	-	27,871,409
Total capital assets being depreciated	323,822,805	7,174,511	(736,805)	330,260,511
Less accumulated depreciation for:				
Land Improvements	26,218	-	-	26,218
Plant & Distribution	100,343,011	11,061,988	(645,604)	110,759,395
Equipment	75,574	3,607	-	79,181
Vehicles	2,197,243	207,277	(91,201)	2,313,319
Intangibles	3,630,205	768,035	-	4,398,240
Total accumulated depreciation	106,272,251	12,040,907	(736,805)	117,576,353
Total capital assets, net	$ 232,093,432	$ (3,231,508)	$ (6,309,369)	$ 222,552,555

Note 6 – Capital assets (continued)

Housing Assistance Payments Fund	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	$ 243,624	$ -	$ -	$ 243,624
Equipment	17,863	-	-	17,863
Automobiles	13,392	17,577	(13,392)	17,577
Total capital assets being depreciated	274,879	17,577	(13,392)	279,064
Less accumulated depreciation for:				
Buildings	85,837	5,682	-	91,519
Equipment	14,687	657	-	15,344
Automobiles	13,391	2,344	(13,392)	2,343
Total accumulated depreciation	113,915	8,683	(13,392)	109,206
Total capital assets, net	160,964	8,894	-	169,858
Business-type activities capital assets, net	$ 232,254,396	$ (3,222,614)	$ (6,309,369)	$ 222,722,413

Discretely presented component units

Activity for the *Johnston County Board of Alcoholic Control* for the year ended June 30, 2015 was as follows:

	Useful Life	Cost	Accumulated Depreciation	Net Amount
Building and land	20 yrs	$ 1,835,153	$ 1,040,727	$ 794,426
Furniture, fixtures, and equipment	10 yrs	602,914	444,988	157,926
Leasehold improvements	0 - 20 yrs	34,510	26,905	7,605
Total		$ 2,472,577	$ 1,512,620	$ 959,957

Activity for the *Johnston County Airport Authority* for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and easement	$ 900,216	$ -	$ -	$ 900,216
Construction in progress	3,560,539	606,900	(112,732)	4,054,707
Total Capital Assets not being depreciated	4,460,755	606,900	(112,732)	4,954,923
Capital assets being depreciated:				
Terminal building	2,782,943	-	(92,514)	2,690,429
Runway, ramps and hangars	17,667,813	-	-	17,667,813
Aircraft parking ramp	16,836	-	-	16,836
Vehicles	87,851	-	(13,826)	74,025
Lighting and Equipment	1,800,315	155,482	(32,614)	1,923,183
Total capital assets being depreciated	22,355,758	155,482	(138,954)	22,372,286
Less accumulated depreciation for:				
Terminal building	707,877	59,888	(55,228)	712,537
Runway, ramps and hangars	5,737,550	438,398	-	6,175,948
Aircraft parking ramp	16,836	-	-	16,836
Vehicles	60,804	8,676	(13,827)	55,653
Lighting and Equipment	1,785,437	38,199	(32,614)	1,791,022
Total accumulated depreciation	8,308,504	545,161	(101,669)	8,751,996
Total capital assets, net	$ 18,508,009	$ 217,221	$ (150,017)	$ 18,575,213

Note 7 – Construction commitments

The County has active construction projects as of June 30, 2015. The projects include water district projects and the following:

Looping Lines FY13-14

This project consists of the construction/installation of 17,800 LF of water main to extend accessibility to public water along Cornwallis Road, Almon Road, White Oak Road, Sandee Drive and Federal Road. The project also includes the installation of 16-inch insertion gate valve at I-95 and Little River on the County's existing 16-inch water main to improve reliability/redundancy.

WTP Filter Addition & Chemical Feed Improvement

This project consists of improvements to the County's Water Treatment Plant to sustain operations and cost savings on treatment chemicals. The improvements will add a fourth filter group with four filter cells, repair damaged concrete at filter groups no. 1 and 2 and improve the polymer feed system.

East Clayton Ind. Wastewater Improvement

This project is necessary for transmission and treatment of wastewater from the East Clayton Industrial Area in the County's Central Regional Wastewater Treatment Plant. The project includes civil, mechanical, and electrical improvements necessary for upgrades to the East Clayton Industrial Area Wastewater Pump Station and chemical feed improvements at the Central Johnston County Wastewater Treatment Plant.

Buffalo Road Emergency Force Main Replacement

This project consists of replacing approximately 5,100 linear feet of 12-inch ductile iron force main with 16-inch C-905 PVC force main, to be financed by a State Emergency Revolving Loan.

At year-end, the County's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Looping Lines FY 13-14	$ 239,158	$ 60,842
WTP Filter Addition & Chemical Feed Improvement	225,559	2,841
East Clayton Ind. Wastewater Improvement	842,882	500,118
Buffalo Road Emergency Force Main Replacement	311,091	27,809
Total	$ 1,618,690	$ 591,610

Note 8 – Accounts Payable

Payables at the government-wide level at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	$ 2,722,626	$ 8,399	$ 3,896,183	$ -	$ 6,627,208
Other Governmental	1,587,244	375	-	-	1,587,619
Total Governmental Activities	$ 4,309,870	$ 8,774	$ 3,896,183	$ -	$ 8,214,827
Business-type Activities					
Administrative	$ 2,879	$ -	$ -	$ -	$ 2,879
Solid Waste	172,911	-	-	-	172,911
Water Fund	107,287	-	273,388	-	380,675
Wastewater	52,934	-	90,085	-	143,019
Section 8 Housing	1,682	-	-	-	1,682
Water Districts	78	-	262,396	-	262,474
Total Business-Type Activities	$ 337,771	$ -	$ 625,869	$ -	$ 963,640

Note 9 - Pension Plan and Other Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement 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 the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Note 9 - Pension Plan and Other Postemployment Obligations (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were $3,045,990 for the year ended June 30, 2015.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported an asset of $4,502,179, or its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was 0.7634%, which was an increase of 0.01877% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of $316,355. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 491,941
Net difference between projected and actual earnings on pension plan	-	10,480,970
Changes in proportion and differences between County Contributions and proportionate share of contributions	136,027	-
County contributions subsequent to the measurement date	3,045,991	-
Total	$ 3,182,018	$ 10,972,911

$3,045,990 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	$ (2,709,444)
2017	(2,709,444)
2018	(2,709,444)
2019	(2,708,552)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of	7.25 percent, net of pension plan investment expense, including inflation

Note 9 - Pension Plan and Other Postemployment Obligations (continued)

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 9 – Pension Plan and Other Postemployment Obligations (continued)

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	15,282,340	(4,502,177)	(21,160,104)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Johnston County Airport Authority, Johnston County Tourism Development Authority, and the Johnston County ABC Board reported their respetive shares of the required disclosure for the contributions to LGERS for the years ended June 30, 2015.

Law Enforcement Officers' Special Separation Allowance

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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases 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.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	121
Total	129

The Separation Allowance is reported in the County's report as a pension trust fund. However, the County has not established a trust that meets the specific criteria set by GASB, in which : (1) the trust must be holding assets for the payment of benefits under this plan; (2) contributions to the plan must be irrevocable; and (3) the assets must be protected from the creditors of the unit. Currently, the assets of the plan are included in pooled cash equity of the County and are not in a trust that meets the above definitions. A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting - Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term money market debt instrument deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions - The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed $233,351 or 4.46% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

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 contribution	$ 86,635
Interest on net pension obligation	(119,095)
Adjustment to annual required contribution	201,212
Annual pension cost	168,752
Contributions made	233,351
Increase (decrease) in net pension obligation	(64,599)
Net pension obligation, beginning of year	(2,381,900)
Net pension obligation, end of year	$ (2,446,499)

3 Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2013	$107,014	215.13%	$ (2,304,724)
2014	$156,175	149.42%	$ (2,381,900)
2015	$168,752	138.28%	$ (2,446,499)

Funded Status and Funding Progress.

As of December 31, 2014, the most recent actuarial valuation date, the plan was 89.01 percent funded. The actuarial accrued liability for benefits was $1,953,590, and the actuarial value of assets was $1,738,933, resulting in an unfunded actuarial accrued liability (UAAL) of $214,657. The covered payroll (annual payroll of active employees covered by the plan) was $5,234,290, and the ratio of the UAAL to the covered payroll was 4.10%.

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 benefits.

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2015 were $372,018, which consisted of $256,576 from the County and $115,442 from the law enforcement officers.

Note 9 – Pension Plan and Other Postemployment Obligations (continued)

Supplemental Retirement Income Plan for Nonlaw Enforcement Employees

Plan Description - The County and the Airport also participates in a supplemental retirement plan which is a defined contribution pension plan. All employees, except law enforcement officers, who are eligible to participate in the Local Governmental Employees' Retirement System, are eligible to participate in this pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County's and Airport's plan requires that it contribute each month an amount equal the employee's contribution amount, not to exceed 5% of each eligible participant's salary and all amounts contributed are vested immediately. The Plan is administered by Prudential Retirement. The County has the authority for establishing and amending provisions for contributions to the plan.

Funding Policy - The County's contributions were calculated using a covered payroll amount of $38,132,670. Total contributions for the year ended June 30, 2015 were $2,318,656 which consisted of $1,188,039 from the County and $1,130,617 from the employees. The County's required contributions and the employees' voluntary contributions represented 3.12% and 2.96% of the covered payroll amount, respectively.

The Johnston County Airport Authority's contributions were calculated using a covered payroll amount of $197,706. Total contributions for the year ended June 30, 2015 were $23,381, which consisted of $7,491 from the Authority and $15,890 from the employees. The Authority's required contributions and the employee's voluntary contributions represented 3.79% and 8.04% of the covered payroll amount, respectively.

Register of Deeds' Supplemental Pension Fund

Plan Description. also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement 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 the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were $5,633 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported an asset of $436,817 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating RODSPF employers, actuarially determined. At June 30, 2014, the County's proportion was 1.927%, which was an increase of 0.0955% from its proportion measured as of June 30, 2013.

Note 9 – Pension Plan and Other Postemployment Obligations (continued)

For the year ended June 30, 2015, the County recognized pension revenue of $17,473. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,009	$ -
Net difference between projected and actual earnings on pension plan	-	2,351
Changes in proportion and differences between County Contributions and proportionate share of contributions	-	14,017
County contributions subsequent to the measurement date	5,633	-
Total	$ 9,642	$ 16,368

$5,633 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	$ (5,137)
2017	(5,137)
2018	(1,498)
2019	(588)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment Rate of Return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%.

Note 9 – Pension Plan and Other Postemployment Obligations (continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	(392,241)	(436,817)	(475,130)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Other Post employment Benefit

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). Any participant hired prior to January 1, 2011 who commences retirement and meets the following conditions shall receive an annual retirement medical allowance A participant must: (1) have ten years of service with the County if hired or elected prior to January 1, 2007; (2) have twenty years of service with the County if hired or elected on or after January 1, 2007 but prior to January 1, 2011; and (2) Be eligible and approved to receive retirement benefits in accordance with the regulations of the Local Governmental Employees' Retirement System. Prior to January 1, 2007, employees qualified for similar level benefits after at least ten years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

MEMBERSHIP

Active Member*	
Law Enforcement Officers	
Number	73
Annual Compensation	$ 3,605,000
Firefighters	
Number	22
Annual Compensation	$ 1,144,268
General Employees	
Number	514
Annual Compensation	$ 24,395,290
Retired Members	
Number	264

* The information shown above does not include covered payroll of $17,573,744 for 454 active members who will not receive benefits due to the January 1, 2011 closure of the plan.

Note 9 – Pension Plan and Other Postemployment Obligations (continued)

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by County Commissioners. The County's members pay the applicable group rate per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 32.29% of annual covered payroll. For the current year, the County contributed $2,295,838 of annual covered payroll. The County is self-insured. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 8.76% and 1.62% of covered payroll respectively. There were no contributions made by employees. The County's obligation to contribute to HCB Plan is established and may be amended by the County Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General 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 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 postemployment healthcare benefits:

Annual required contribution	$ 9,411,344
Interest on net OPEB obligation	1,944,116
Adjustment to annual required contribution	(2,702,609)
Annual OPEB cost (expense)	8,652,851
Contributions made	(2,295,838)
Increase (decrease) in net OPEB obligation	6,357,013
Net OPEB obligation, beginning of year	48,602,912
Net OPEB obligation, end of year	$ 54,959,925

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 9,200,403	14.60%	$ 40,713,368
2014	$ 9,200,403	14.30%	$ 48,602,912
2015	$ 8,652,851	26.53%	$ 54,959,925

Funded Status and Funding Progress. As of December 31, 2014, 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 $96,707,763. The covered payroll (annual payroll of active employees covered by the plan) was $258,568, and the ratio of the UAAL to the covered payroll was 350.6 percent. 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 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.

Note 9 – Pension Plan and Other Postemployment Obligations (continued)

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 types 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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent 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 7.50 to 5.00 percent annually. Both rates included a 3.0 percent inflation assumption. The actuarial value of 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 a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

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. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of $25,000 and will not exceed $50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The County considers these contributions to be immaterial.

Note 10 - Closure and post closure care costs - Johnston County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Subtitle D landfill unit (Phase 5) when it stops accepting waste and to perform certain maintenance and monitoring functions at each site for thirty years after closure is complete on each unit. 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 balance sheet date. The $14,182,917 reported as landfill closure and post-closure care liability at June 30, 2015 represents a cumulative amount reported to date based on the 100% use and care of the Phase 1-5 landfill units. This amount is based on what it would cost to perform all closure and post-closure care activities in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The engineers that prepare the County's annual report on closure and postclosure landfill costs do not provide separate numbers for those costs due within one year, so the liability is all shown as long-term.

The County has met the requirements of a local government financial test that is one option under State and Federal laws and regulations that helps determine if a local government is financially able to meet closure and post-closure care requirements.

Note 11 - Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	$ 15,721,012	$ -
Pensions - Difference between expected and actual experience		-
LGERS	-	491,941
Register of Deeds	4,009	-
Pensions - Difference between projected and actual investment earnings		
LGERS	-	10,480,970
Register of Deeds	-	2,351
Pensions - Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	136,027	-
Register of Deeds	-	14,017
Contributions to pension plan in 2014-2015 fiscal year		
LGERS	3,045,991	-
Register of Deeds	5,633	-
Prepaid taxes not year earned (General)	-	128,857
Taxes receivable, net, less penalties (General)	-	635,570
Taxes receivable, net, less penalties (Special Revenue)	-	59,883
Capacity Fees (Water Fund)	-	16,076,231
	$ 18,912,672	$ 27,889,820

Note 12 – 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 participates in one self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool the County obtains coverage for workers' compensation up to statutory limits. The County has coverage for property replacement with St. Paul Property and Liability Insurance Company. This plan covers building and contents. Motor vehicles and equipment are also covered by this policy. For vehicles, bodily injury limits are $1,000,000 per person and $2,000,000 per accident. The County claims governmental immunity from all liability except to the limited coverage provided by the above policy. The County is self insured through Coventry, who also functions as the Third Party Administrator. County employees have the option of a Core Plan, the Advantage Plan, or a Premier plan at an additional premium cost which offers lower copayments, deductibles, and coinsurance amounts. All plans offer in and out of network benefits. Services provided under all plans within the network have a lifetime maximum of $5,000,000 per member, while services provided out of network under all plans have a lifetime maximum of $1,000,000 per member. The County purchases reinsurance protection through Coventry for claims that exceed $125,000 per fiscal year. The Johnston County Board of Alcoholic Control is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

The County has flood insurance thru Bankers Insurance Group on certain public utilities property. The coverage varies as to the values of the property.

The Finance Director, County Manager, Clerk to the Board, and Assistant Finance Director are bonded for $500,000. The Economic Development Director is bonded for $100,000, the Social Services Director is bonded for $55,000, the Register of Deeds and Sheriff is bonded for $60,000, and the Tax Director is bonded for $50,000. All other employees are blanket bonded for $50,000.

The Johnston County Airport Authority 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 Airport carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 - Claims and Judgments

At June 30, 2015, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Note 14 - Lease revenues

The Johnston County Airport Authority leases land and buildings under leases for varying terms. At June 30, 2015, the minimum rental payments under non cancelable leases with a term in excess of one year were as follows:

Year Ending June 30	Amount
2016	$ 98,260
2017	57,400
2018	47,550
2019	8,700
2020	900
	$ 212,810

Note 15 – Long-term obligations

Capital Leases

The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on June 1, 2012 for the lease of equipment and requires three annual payments of $191,142. This lease included an initial payment of $100,000.

The second agreement was executed on January 17, 2013 for the lease of software and requires interest only payments through March 2014. Beginning April 2014, principal and interest payments of $11,367 will be made monthly for 46 months.

An agreement was executed on October 7, 2013 to lease E-911 Equipment. This lease requires three annual payments of $121,636.75, which includes interest at 2.29%. The first payment will be made on the date of inception.

An agreement was executed on March 20, 2014 to lease elections equipment. This lease requires five annual payments of $61,719.86, which includes interest at 2.29%. The first payment will be made on the date of inception.

Under the terms of these agreements, title passes to the County at the end of the lease term.

At June 30, 2015, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Software	$ 498,100	$ 59,017	$ 439,083
Equipment	1,266,302	506,105	760,197
	$ 1,764,402	$ 565,122	$ 1,199,280

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30	
2016	$ 510,898
2017	198,120
2018	141,287
2019	-
Total minimum lease payments	850,305
Less: amount representing interest	48,244
Present value of the minimum lease payments	$ 802,061

Note 15 – Long-term obligations (continued)

General obligation bonds - The County's general obligation bonds are serviced by the governmental funds and are collateralized by the faith, credit, and taxing power of the County. The County Water Districts issue bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water District Funds, are collateralized by the full faith, credit, and taxing power of the District. Principle and interest requirements are appropriated when due.

Bonds payable at June 30, 2015 are comprised of the following issues:

Serviced by the General Fund

$37,500,000 School Series 2006 bond due on February 1 in installments of $1,500,000 to $3,500,000 through February 2025 with floating interest at 4% to 5%.	$ 1,500,000
$52,600,000 Public Improvement, Series 2007 School, Community College, and Parks and Recreation bond due on February 1, in installments of $1,400,000 to $4,900,000 through February 2026, with floating interest at 4% and 5%.	7,020,000
$30,300,000 Public Improvement, Series 2008 School, Community College, and Parks and Recreation bond due on February 1, in installments of $1,300,000 to $2,300,000, through February 2027, with floating interest rates between 3.5% and 5%.	7,900,000
$49,800,000 Public Improvement, Series 2009 School and Community College bond due on February 1, in installments of $1,400,000 to $4,500,000, through February 2028, with floating interest rates between 3.0% and 4.25%.	16,400,000
$14,340,000 General Obligation Refunding Bonds, Series 2009B School bond due on February 1, in installments of $1,280,000 to $1,510,000, through February 2021, at a true interest cost of 2.93%.	8,575,000
$14,825,000 General Obligation Refunding Bonds, Series 2009C School and Community College bond due on June 30, in installments of $80,000 to $2,480,000, through June 2019, at a true interest cost of 2.79%.	9,550,000
$54,735,000 General Obligation Refunding Bonds, Series 2010A School, Community College, and Parks and Recreation bond due on February 1, in installments of $210,000 to $3,380,000, through February 2024, at a true interest cost of 3.12%.	49,895,000
$30,400,000 General Obligation Refunding Bonds, Series 2010B School and Community College bond due on February 1, in installments of $205,000 to $4,075,000, through February 2025, at a true interest cost of 2.36%.	27,590,000
$34,345,000 General Obligation Refunding Bonds, Series 2012 School and Public Improvement Series Bond due on February 1, in installments of $45,000 to $6,995,000, through February 2025, at a true interest cost of 1.91%.	33,020,000
$19,000,000 General Obligation Bonds, Series 2014 Public Improvement Series Bond due on February 1, in installments of $40,000 to $1,400,000, through February 2034, at a true interest cost of 3.24%.	19,000,000
$14,875,000 General Obligation Refunding Bonds, Series 2014 Bond due on February 1, in installments of $115,000 to $4,945,000, through February 2019, at a true interest cost of 1.25%.	14,760,000
$18,000,000 General Obligation Bonds, Series 2015 School Series Bond due on February 1, in installments of $350,000 to $1,400,000, through February 2035, at variable interest rates of 3.0% to 5.0%.	18,000,000
$50,060,000 General Obligation Refunding Bonds, Series 2015 Bond due on February 1, in installments of $590,000 to $11,120,000, through February 2028, with floating interest between 2% and 4%.	50,060,000
	$ 263,270,000

Note 15 – Long-term obligations (continued)

Serviced by the District

$3,160,000 Refunding, Series 2013 bonds (Archer's Lodge) due on installments of $85,000 to $180,000 through 2037, interest varies from 2% to 4.75%.	$	2,985,000
$2,930,000 Refunding, Series 2013 bonds (Brogden) due in installments of $65,000 to $160,000 through 2039, interest varies from 2% to 4.75%.		2,795,000
$2,915,000 Refunding, Series 2013 bonds (Clayton) due in installments of $80,000 to $165,000 through 2039, interest varies from 2% to 4.75%.		2,750,000
$3,025,000 Refunding, Series 2013 bonds (Cleveland) due in installments of $85,000 to $185,000 through 2036, interest varies from 2% to 4.75%.		2,845,000
$1,330,000 Refunding, Series 2013 bonds (Hopewell/Pisgah) due in installments of $45,000 to $80,000 through 2033, interest varies from 2% to 4.75%.		1,235,000
$3,295,000 Refunding, Series 2013 bonds (Little Creek) due in installments of $80,000 to $185,000 through 2038, interest varies from 2% to 4.75%.		3,130,000
$4,955,000 Refunding, Series 2013 bonds (McGee's Crossroads) due in installments of $135,000 to $300,000 through 2037, interest varies from 2% to 4.75%.		4,680,000
$2,290,000 Refunding, Series 2013 bonds (Princeton-Kenly) due in installments of $50,000 to $125,000 through 2039, interest varies from 2% to 4.75%.		2,185,000
$900,000 Refunding, Series 2013 bonds (Wilson's Mills) due in installments of $20,000 to $45,000 through 2039, interest varies from 2% to 4.75%.		855,000
$2,470,000 Refunding, Series 2014 bonds (Buffalo) due in installments of $35,000 to $175,000 through 2039, interest varies from 2% to 5%.		2,430,000
$3,505,000 Refunding, Series 2014 bonds (Elevation) due in installments of $60,000 to $235,000 through 2039, interest varies from 2% to 5%.		3,445,000
$2,365,000 Refunding, Series 2014 bonds (Ingrams Township) due in installments of $60,000 to $235,000 through 2039, interest varies from 2% to 5%.		2,325,000
$8,270,000 Refunding, Series 2014 bonds (Little River) due in installments of $130,000 to $560,000 through 2039, interest varies from 2% to 5%.		8,110,000
$2,735,000 Refunding, Series 2014 bonds (Meadow) due in installments of $45,000 to $185,000 through 2039, interest varies from 2% to 5%.		2,680,000
$7,165,000 Refunding, Series 2014 bonds (O'Neals) due in installments of $150,000 to $470,000 through 2039, interest varies from 2% to 5%.		6,995,000
	$	49,445,000

COPS certificate of participation

Serviced by the General Fund

$13,625,000 bond obtained for the following: 13,337,730 for school construction and $287,730 for Museum/Historical Properties. Bond is due in installments of $100,000 to $2,810,000 through October 2021, with floating interest between 3.5% and 5.0%	$	6,365,000
	$	6,365,000

Note 15 – Long-term obligations (continued)

Annual debt service requirements to maturity for the County's general obligation bonds and COPS "Certificate of Participation," are as follows:

Year Ending June 30	Governmental Activities Principle	Governmental Activities Interest	Business-Type Activities Principle	Business-Type Activities Interest	Total
2016	$ 24,425,000	$ 9,656,389	$ 1,175,000	$ 2,185,788	$ 37,442,177
2017	24,265,000	9,435,608	1,240,000	2,143,438	37,084,046
2018	23,965,000	8,664,885	1,265,000	2,093,838	35,988,723
2019	22,965,000	7,896,363	1,310,000	2,043,238	34,214,601
2020	23,625,000	7,083,625	1,375,000	1,990,838	34,074,463
2021-2025	106,405,000	21,228,725	8,595,000	8,936,388	145,165,113
2026-2030	33,085,000	4,593,075	11,350,000	6,616,763	55,644,838
2031-2035	10,900,000	982,500	13,680,000	3,765,688	29,328,188
2036-2040	-	-	9,455,000	921,294	10,376,294
2041-2045	-	-	-	-	-
2046-2050	-	-	-	-	-
2051-2055	-	-	-	-	-
	$ 269,635,000	$ 69,541,170	$ 49,445,000	$ 30,697,273	$ 419,318,443

Federal revolving loans

Serviced by the Enterprise Funds

A federal revolving loan was executed December 11,1998 for an elevated tank project in the amount of $537,000 at an interest rate of 2.6%, principal to be repaid in 20 annual payments, the first principal payment being due 6 months after completion of the project	$ 161,100
A federal revolving loan was executed December 11,1998 for an elevated tank project in the amount of $539,200 at an interest rate of 2.6%, principal to be repaid in 20 annual payments, the first principal payment being due 6 months after completion of the project	161,760
A federal revolving loan was executed August 31, 2004 for the amount of $1,538,717 at an interest rate of 2.66%, principal to be repaid in 20 annual payments, the first principal payment being due 6 months after completion of the project.	769,359
A federal revolving loan was executed August 18, 2005 for the amount of $14,508,144 at an interest rate of 2.66%, principal to be repaid in 20 annual payments, the first principal payment being due 6 months after completion of the project.	7,979,479
A federal revolving loan was executed January 8, 2008 in the amount of $5,617,990. This is a drawdown loan with an estimated completion date of August 13, 2009. A final maturity schedule will be provided upon completion. The term will be 20 years at an interest rate of 2.10%.	3,839,231
A federal revolving loan was executed January 8, 2008 in the amount of $11,882,010. This is a drawdown loan with an estimated completion date of May 10, 2010. A final maturity schedule will be provided upon completion. The term will be 20 years at an interest rate of 2.10%.	9,215,370
A federal revolving loan was executed January 31, 2011 in the amount of $1,500,000, at an interest rate of 0.00%, principal to be repaid in 20 annual payments of $75,000, with the first payment due on May 1.	1,200,000

Note 15 – Long-term obligations (continued)

A federal revolving loan was executed February 14, 2012 in the amount of $5,097,577, at an interest rate of 2.220%, principal to be repaid in 20 annual payments of $254,879, with the first payment due on May 1.	4,332,940
A federal revolving loan was executed August 23, 2012 in the amount of $200,000, at an interest rate of 0%, principal to be repaid in 20 annual payments of $10,000, with the first	180,000
A federal revolving loan was executed October 3, 2012 in the amount of $300,000, at an interest rate of 0%, principal to be repaid in 20 annual payments of $15,000, with the first payment due on May 1.	270,000
A federal revolving loan was executed May 22, 2012 in the amount of $3,000,000, at an interest rate of 0%, principal to be repaid in 20 annual payments of $150,000, with the first payment due on May 1.	2,700,000
A federal revolving loan was executed May 22, 2012 in the amount of $3,000,000, at an interest rate of 2.220%, principal to be repaid in 20 annual payments of $25,000, with the first payment due on May 1. Interest is due November 1 and May 1 of each year.	71,251
A federal revolving loan was executed March 19, 2013 in the amount of $2,576,763 at an interest rate of 0%, principal to be repaid in 20 annual payments of $128,838, with the first payment due on May 1.	2,297,190
A federal revolving loan was executed February 15, 2015 in the amount of $338,890, at an interest rate of 0%, principal to be repaid in 20 annual payments of $16,945, with the first payment due on May 1.	258,646
A federal revolving loan was executed July 17, 2014 in the amount of $117,300, at an interest rate of 0%, principal to be repaid in 5 annual payments of $23,460, with the first payment due on May 1.	93,840
	$ 33,530,166

Annual debt service requirements to maturity for the County's Revolving Federal Loans, including interest of $4,539,914 and $33,530,166 of additional principal once drawn down for the Enterprise Fund are as follows:

Year Ending June 30	Amount	Principal	Interest
2016	$ 2,920,328	$ 2,307,295	$ 613,033
2017	2,891,730	2,323,450	568,280
2018	2,863,133	2,339,946	523,187
2019	2,834,535	2,356,787	477,748
2020	2,782,478	2,350,523	431,955
2021-2025	13,258,968	11,790,397	1,468,571
2026-2030	9,004,833	8,564,668	440,165
2031-2035	1,514,075	1,497,100	16,975
	$ 38,070,080	$ 33,530,166	$ 4,539,914

At June 30, 2015, the County had refunding bonds authorized but unissued of $110,430,000 and general obligation bonds authorized but unissued of $27,000,000. The legal debt margin is $834,955,084.

Note 15 – Long-term obligations (continued)

Installment purchase loans – Installment purchase loans for the County have been issued for the construction of buildings. These obligations at June 30, 2015 are comprised of the following:

Serviced by the General Fund		
$3,300,000 QZAB School bonds were issued as for the renovation of school facilities, due in annual installments of $176,186 through 2021, bearing no interest.	$	1,185,768
$4,500,000 obtained for the following: $4,500,000 County Agriculture Building. Bond is due in installments of $300,000 through 2019, with interest at 5.35%.		1,500,000
$28,245,000 Limited Obligation Refunding Bonds, Series 2010 School bonds due on October 15, in installments of $1,050,000 to $2,130,000, through October 2027, at a true interest cost of 3.36%.		24,565,000
$420,000 loan with BB&T obtained for improvements at the Clayton Rescue Building; due in monthly installments of $5,605 at an interest rate of 4.25%. Maturity is February 2016.		41,695
	$	27,292,463
Serviced by the Enterprise Funds		
$240,000 Refunding of 2007A RD Loan installment loan issued for construction and improvements to Ingrams Township W/D, due in annual installments ranging from $14,684 to $18,338 including interest ranging from 2% to 5% through 2039.	$	235,000
$110,000 Refunding of 2007B RD Loan installment loan issued for construction and improvements to Ingrams Township W/D, due in annual installments ranging from $4,463 to $10,788 including interest ranging from 2% to 5% through 2039.		105,000
$655,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to Archer's Lodge W/D, due in annual installments ranging from $37,050 to $48,575 including interest ranging from 2% to 5% through 2039.		640,000
$215,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to Clayton W/D, due in annual installments ranging from $12,150 to $17,225 including interest ranging from 2% to 5% through 2039.		210,000
$3,275,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to Cleveland W/D, due in annual installments ranging from $193,725 to $236,525 including interest ranging from 2% to 5% through 2039.		3,210,000
$545,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to Hopewell-Pisgah W/D, due in annual installments ranging from $31,025 to $41,525 including interest ranging from 2% to 5% through 2039.		535,000
$545,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to Little Creek W/D, due in annual installments ranging from $31,025 to $41,525 including interest ranging from 2% to 5% through 2039.		535,000
$1,530,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to McGee's Crossroads W/D, due in annual installments ranging from $88,950 to $112,138 including interest ranging from 2% to 5% through 2039.		1,500,000
$435,000 Refunding of 2007 RD Loan installment loan issued for construction and improvements to Wilson's Mills W/D, due in annual installments ranging from $23,550 to $33,050 including interest ranging from 2% to 5% through 2039.		425,000
$1,105,000 Refunding of 2009 RD Loan installment loan issued for construction and improvements to Archer's Lodge W/D, due in annual installments ranging from $63,438 to $81,525 including interest ranging from 2% to 5% through 2039.		1,085,000

Note 15 – Long-term obligations (continued)

\$505,000 loan issued for construction and improvements to Brogden W/D, due in annual installments of \$23,195, including interest at 3.375% through 2049.	467,733
\$380,000 loan issued for construction and improvements to Buffalo W/D, due in annual installments of \$17,454, including interest at 3.375% through 2049.	351,956
\$404,000 loan issued for construction and improvements to Ingrams Township W/D, due in annual installments of \$18,556, including interest at 3.375% through 2049.	374,186
\$511,000 loan issued for construction and improvements to Meadow W/D, due in annual installments of \$23,471, including interest at 3.375% through 2049.	473,288
\$313,000 loan issued for construction and improvements to O'Neals W/D, due in annual installments of \$14,377, including interest at 3.375% through 2049.	289,898
\$382,000 loan issued for construction and improvements to Princeton-Kenly W/D, due in annual installments of \$14,377, including interest at 3.375% through 2049.	353,807
\$215,000 Refunding of 2011 RD Loan installment loan issued for construction and improvements to Hopewell-Pisgah W/D, due in annual installments ranging from \$12,163 to \$16,763 including interest ranging from 2% to 5% through 2039.	210,000
\$225,000 Refunding of Drinking Water Loan, Series 1999 loan issued for construction and improvements to Southeast Lowgrounds Water District, due in annual installments ranging from \$34,700 to \$43,072 including interest ranging from 2% to 5% through 2021.	190,000
	\$ 11,190,868

Annual debt service requirements to maturity for the County's installment purchase loans are as follows:

Year Ending June 30	Governmental Activities Principle	Governmental Activities Interest	Business-type Activities Principle	Business-type Activities Interest	Total
2016	\$ 1,807,881	\$ 1,077,672	\$ 221,607	\$ 467,067	\$ 3,574,227
2017	2,584,582	1,028,400	217,843	460,281	4,291,106
2018	1,565,000	976,325	229,120	451,804	3,222,249
2019	2,275,000	903,875	240,440	442,884	3,862,199
2020	2,370,000	815,325	251,805	433,519	3,870,649
2021-2025	10,355,000	2,742,838	1,536,166	1,980,704	16,614,708
2026-2030	6,335,000	476,875	2,212,899	1,539,471	10,564,245
2031-2035	-	-	2,692,165	1,007,355	3,699,520
2036-2040	-	-	2,680,326	425,506	3,105,832
2041-2045	-	-	448,987	124,008	572,995
2046-2050	-	-	459,510	42,951	502,461
2051-2055	-	-	-	-	-
	\$ 27,292,463	\$ 8,021,310	\$ 11,190,868	\$ 7,375,550	\$ 53,880,191

Note 15 – Long-term obligations (continued)

Installment purchase loans – Airport – Installment purchase loans for the Airport have been issued for the construction of T-Hangars. These obligations at June 30, 2015 are comprised of the following:

Loan executed 6/6/05 to finance construction of 20 additional T-Hangars in the amount of $360,000 at an interest rate of 5.25%, principal to be repaid in 180 monthly payments, the first principal payment being due on or before 7/1/05.	$150,124

Annual debt service requirements to maturity for the Airport Authority's debt are as follows:

Year Ending June 30	Installment Purchases Principal	Interest	Total
2016	$ 27,497	$ 7,230	$ 34,727
2017	28,850	5,877	34,727
2018	30,535	4,193	34,728
2019	32,037	2,691	34,728
2020	31,205	2,524	33,729
2021-2025	-	-	-
	$ 150,124	$ 22,515	$ 172,639

Other notes payable – Notes issued for the construction and improvements of the wastewater treatment facilities, water lines and landfill are being retired by the resources in the Public Utilities Fund and are reported as a long-term debt in the Public Utilities Fund.

Notes payable at June 30, 2015 are comprised of the following:

Serviced by the Enterprise Fund

$57,850 note payable issued February 2006, due in annual installments of $3,709 including interest through 2030, interest at 4.00%.	$ 41,172
	$ 41,172

Annual debts service requirements to maturity for the County's other notes payable, including interest of $14,375 are as follows:

Year Ending June 30	Business Type Activities Amount	Principle	Interest
2016	$ 3,703	$ 2,056	$ 1,647
2017	3,703	2,138	1,565
2018	3,703	2,224	1,479
2019	3,703	2,313	1,390
2020	3,703	2,405	1,298
2021-2025	18,516	13,550	4,966
2026-2030	18,516	16,486	2,030
	$ 55,547	$ 41,172	$ 14,375

Note 15 – Long-term obligations (continued)

Revenue Bonds

The Water Fund within Johnston County has issued revenue bonds in order to finance various water improvement projects.

$ 3,877,000 Water System, Series 2013 Revenue Bond issued on March 25, 2013; Principal installments of $50,000 to $165,000 are due annually on June 1, including interest at 3.125%.	$ 3,389,023
$3,309,000 Water Revenue Bonds (Series A) issued for water system improvements. Principal installments of $38,000 to $155,000 are due annually on June 1, at an annual interest rate of 3.75%.	3,117,375
Total Revenue Bonds	$ 6,506,398

Year Ending June 30	Business Type Activities Amount	Principle	Interest
2016	$ 322,107	$ 98,000	$ 224,107
2017	321,776	101,000	220,776
2018	321,344	104,000	217,344
2019	321,807	108,000	213,807
2020	322,132	112,000	210,132
2021-2025	1,607,097	616,000	991,097
2026-2030	1,609,516	731,000	878,516
2031-2035	1,608,097	863,000	745,097
2036-2040	1,609,272	1,022,000	587,272
2041-2045	1,608,110	1,208,000	400,110
2046-2050	1,601,464	1,423,023	178,441
2051-2055	126,188	120,375	5,813
	$ 11,378,910	$ 6,506,398	$ 4,872,512

The County is in compliance with the covenants as to rates, fees, rentals and charges in Section 301 of the Bond Order, authorizing the issuance of the Water System Improvement Revenue Bonds (Series A). Section 301(f) of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service ratio calculation for the year ended June 30, 2015 is as follows:

Operating Revenues	$ 9,169,431
Operating Expenses*	7,362,356
Operating Income	1,807,075
Nonoperating revenues (expenses)**	765,568
Income available for debt service	2,572,643
Debt Service, principal and interest paid (Revenue Bond only)	$ 320,316
Debt service coverage ratio	803%

*Per rate covenant, this does not include the depreciation expense of $3,608,008.

**Per rate covenant, this does not include revenue bond interest paid of $226,316

Note 15 – Long-term obligations (continued)

Limited Obligation Bonds

On July 15, 2013, the County Water Districts issued individual refunding bonds in the amount of $26,365,000 for each of the USDA Bonds being refinanced. The County then issued Limited Obligation Bonds ("LOBs") to purchase these bonds, as well as to refinance the Installment Purchase Contracts; the County (and bondholders) have a security interest in the Water District's refunding bonds. When debt service is due, each water district will remit the debt service payments for their respective bonds to the County, who will then remit it to the bondholders. If a district does not pay, the County has the bonds (and the District's ad valorem taxing power for the general obligation bonds) as collateral. The Limited Obligation Bonds are appropriation-backed and require the Board and bi-annual interest payments with a 4.18% average interest rate over the life of the term. As of June 30, 2015, the balance of the bonds was $24,730,000. The reader should note that this debt issuance is entirely offset by the Water District's Refunding 2013 Bonds as detailed under the General Obligation Indebtedness section.

The Water Districts are a blended component unit of the County. On the fund statements, the amounts owed to the County to make the payments for the LOBs are classified as "Due to the County" in the Water District Funds, and as "Due from the Districts" in the Water Fund. On the government-wide statements, these amounts are eliminated. Therefore, when Exhibit 1 debt totals are compared to the total debt in the notes, the amount will differ by the amount eliminated for this LOB debt. Of the total 2013 LOB balance of $24,730,000, $23,460,000 is recorded as Due from the Districts and is eliminated in Exhibit 1.

On June 27, 2014, the County Water Districts issued individual refunding bonds in the amount of $43,990,000 for each of the USDA Bonds being refinanced. The County then issued Limited Obligation Bonds ("LOBs") to purchase these bonds, as well as to refinance the Installment Purchase Contracts; the County (and bondholders) have a security interest in the Water District's refunding bonds. When debt service is due, each water district will remit the debt service payments for their respective bonds to the County, who will then remit it to the bondholders. If a district does not pay, the County has the bonds (and the District's ad valorem taxing power for the general obligation bonds) as collateral. The Limited Obligation Bonds are appropriation-backed and require the Board and bi-annual interest payments with a 3.77% average interest rate over the life of the term. As of June 30, 2015, the balance of the bonds was $42,445,000. The reader should note that this debt issuance is partially offset by the Water District's Refunding 2014 Bonds as detailed under the General Obligation Indebtedness section.

The Water Districts are a blended component unit of the County. On the fund statements, the amounts owed to the County to make the payments for the LOBs are classified as "Due to the County" in the Water District Funds, and as "Due from the Districts" in the Water Fund. On the government-wide statements, these amounts are eliminated. Therefore, when Exhibit 1 debt totals are compared to the total debt in the notes, the amount will differ by the amount eliminated for this LOB debt. Of the total 2014 LOB balance of $42,445,000, $34,865,000 is recorded as Due from the Districts and is eliminated in Exhibit 1.

The Limited Obligation Bonds were budgeted by the Board to be recorded and presented in the Water Fund. Therefore the issuance and purchase of the District's bonds are presented in the Water Fund's budget and actual schedule and exhibits.

Year Ending	Business Type Activities		
June 30	Amount	Principle	Interest
2016	$ 5,252,425	$ 2,300,000	$ 2,952,425
2017	5,229,675	2,355,000	2,874,675
2018	4,890,475	2,110,000	2,780,475
2019	4,866,075	2,170,000	2,696,075
2020	4,859,275	2,250,000	2,609,275
2021-2025	23,513,325	12,095,000	11,418,325
2026-2030	22,486,450	14,105,000	8,381,450
2031-2035	21,908,300	17,065,000	4,843,300
2036-2040	13,977,169	12,725,000	1,252,169
	$ 106,983,169	$ 67,175,000	$ 39,808,169

Note 15 – Long-term obligations (continued)

Advance Refundings

On November 16, 2006 the County issued $13,625,000 of COPS bonds to provide resources for school construction and museum properties. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $725,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by $565,598 and resulted in an economic gain of $426,461.

On May 19, 2009 the County issued $14,340,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $14,000,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $340,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by $670,655 and resulted in an economic gain of $461,301.

On May 19, 2009 the County issued $14,825,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $14,340,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $485,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by $183,545 and resulted in an economic gain of $135,388.

On May 12, 2010 the County issued $54,735,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $53,930,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $805,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by $2,775,199 and resulted in an economic gain of $2,397,343.

On November 2, 2010 the County issued $30,400,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $30,790,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $2,467,317. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by $2,548,831 and resulted in an economic gain of $2,447,206.

On November 9, 2010 the County issued $28,245,000 of Limited Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $30,000,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $733,604. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 17 years by $1,240,667 and resulted in an economic gain of $1,317,528.

Note 15 – Long-term obligations (continued)

On March 6, 2012 the County issued $34,345,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $36,510,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $4,375,346. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by $2,608,165 and resulted in an economic gain of $2,559,324.

On July 15, 2013 the County issued $26,365,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $26,947,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by $582,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by $4,810,278 and resulted in an economic gain of $1,796,979.

On June 15, 2014, the County issued $43,990,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $47,049,474. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by $3,059,474. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by $12,235,346 and resulted in an economic gain of $3,075,553.

On November 16, 2014, the County issued $14,875,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $15,053,836. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by $338,847. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by $955,084 and resulted in an economic gain of $912,793.

On March 31, 2015, the County issued $50,060,000 of General Obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $57,014,407. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the respective statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by $5,414,407. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by $4,309,763 and resulted in an economic gain of $3,330,818.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed, only $2,507,337 relates to assets the County holds title. There was no unspent restricted cash related to the Governmental Activities debt listed.

Note 15 – Long-term obligations (continued)

Long-Term Obligation Activity - The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2015:

Governmental Activities:	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015	Amounts Due Within One Year
General Obligation Bonds	$ 268,835,000	$ 82,935,000	$ 88,500,000	$ 263,270,000	$ 23,540,000
COPS certificate of participation	7,455,000	-	1,090,000	6,365,000	1,085,000
Capitalized leases	1,271,162	-	469,100	802,062	482,689
Unamortized bond premium	15,400,750	9,489,907	1,586,473	23,304,184	2,113,690
Net Pension Liability	8,047,643	-	8,047,643	-	-
Compensated Absences	2,943,704	117,895	-	3,061,599	1,235,355
Installment purchase loans	29,137,618	-	1,845,155	27,292,463	1,807,881
Other Post Employment Benefits	43,173,551	5,770,957	-	48,944,508	-
Total governmental activities	$ 376,264,428	$ 98,313,759	$ 101,538,371	$ 373,039,816	$ 30,264,615

Business-type Activities:					
General Obligation Debt	$ 50,665,000	$ -	$ 1,220,000	$ 49,445,000	$ 1,175,000
Limited Obligation Bonds	69,580,000	-	2,405,000	67,175,000	2,300,000
Clean water revolving loans	35,413,251	391,441	2,274,526	33,530,166	2,307,295
Installment purchase loans	11,441,280	-	250,412	11,190,868	221,608
Other notes payable	217,856	-	176,684	41,172	2,056
Revenue Bonds	6,600,398	-	94,000	6,506,398	98,000
Unamortized Premium	4,565,493	-	243,314	4,322,179	243,313
Net Pension Liability	928,158	-	928,158	-	-
Compensated absences	367,765	12,998	-	380,763	153,638
Other Post Employment Benefits	5,429,361	586,056	-	6,015,417	-
Total business-type activities	$ 185,208,562	$ 990,495	$ 7,592,094	$ 178,606,963	$ 6,500,910

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that all employees are taking leave time as it is earned. Additionally, other post employment benefits and the net pension obligation are also liquidated by the general fund.

To assist in the reconciliation of Total Government-wide debt to the above note, we offer the following reconciliation:

	Governmental	Business-Type
Debt per Government-wide Statements	$ 373,039,816	$ 120,281,963
Reconciling Items:		
2013 LOBS that are eliminated in Exhibit 1	-	23,460,000
2014 LOBS that are eliminated in Exhibit 1	-	34,865,000
Reconciled Balance	$ 373,039,816	$ 178,606,963

Conduit Debt Obligation - Johnston County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from the payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2015, there were two series of industrial bonds outstanding with an aggregate principal amount payable of $26,429,403.

Note 16 – Interfund Balances and Activities

Receivables and Payables

Due from/to Other funds

		From		To
General Fund	$	-	$	-
Capital Project Fund				
Industrial Infrastructure Fund		-		70,448
Enterprise Funds				
Administrative Fund		9,924		-
Solid Waste Fund				1,533,145
Water Fund		-		2,592,778
Wastewater Fund		1,692,202		-
Water District Operating Fund		2,494,245		-
Total	$	4,196,371	$	4,196,371

All interfund receivables and payables resulted from transfers used to supplement other funding sources.

Transfers

Transfers to/from other funds at June 30, 2015, consists of the following:

From the General fund to the Industrial Development fund to accumulate resources for the construction project.	$	2,800,000
From the General fund to the Heritage fund to provide additional resources for operations.		145,388
From the General fund to the Research Training fund to provide additional resources.		285,000
From the General fund to the Revaluation fund to accumulate resources for the revaluation of real property.		340,000
Total - General Fund	$	3,570,388
Enterprise Funds:		
From the Water District Fund to the Water Fund for debt service.	$	1,536,100
From the Water District fund to the Construction Projects fund to provide resources for capital projects.		72,787
Total Enterprise Funds	$	1,608,887
Total	$	5,179,275

Note 17 - Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	$ 62,558,079	$ 222,722,413
less: long-term debt (related to County assets)	(2,507,337)	(172,210,783)
add: Due from Water Districts (LOBs)	-	58,325,000
add: unexpended debt proceeds	-	-
Net investment in capital assets	$ 60,050,742	$ 108,836,630

Note 18 - Fund Balance

Johnston County has a revenue spending policy that provides for programs with multiple revenue sources. The Finance Officers will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	51,363,774
As percentage of budgeted expenditures	25.93%
As percentage of actual expenditures	26.50%
Less:	
Nonspendable items (Inventories, Prepaids)	-
Stabilization by State Statute	13,928,080
Legally available fund balance	37,435,694
As percentage of budgeted expenditures	18.90%
As percentage of actual expenditures	19.32%
Commitments and Assignments	
Appropriated Fund Balance in 2016 Budget	3,962,737
Mental Health Programs	350,000
Automation Enhancement	274,868
Public safety	1,259,180
Capital purchases (fee in lieu)	879,507
Total Committed and Assigned Fund Balance	6,726,292
Working Capital / Fund Balance Policy (15% of Budgeted Expenditures)	29,069,074
Remaining Fund Balance	8,366,620

Note 18 - Fund Balance (continued)

The County currently has an available fund balance of 19.32% of general fund expenditures, while total fund balance represents 26.50% of that same amount. Per their policy, the County Board may, from time-to-time, utilize fund balances that will reduce legally available fund balances below the 15% policy for the purposes of a declared fiscal emergency, financial opportunity to enhance the well-being of Johnston County or other such global purpose as to protect the long-term fiscal security of Johnston County. In such circumstances, after legally available fund balances have been calculated as part of closing-out a fiscal year, the Board will adopt a plan as part of the following year's budget process to restore the legally available fund balances to the policy level within 36 months from the date of the budget adoption. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The General fund had $361,677 in outstanding encumbrances at June 30, 2015.

Note 19 – Joint ventures

The County, in conjunction with the State of North Carolina and the Johnston County Board of Education, participates in a joint venture to operate the Johnston Community College (the "Community College"). The County appoints four members to the Board of Trustees of the Community College. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed $4,500,000 to the Community College for operating and capital purposes during the fiscal year ended June 30, 2015. 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, 2014. Financial statements for Johnston Community College can be obtained by contacting the Controller at P.O. Box 2350, Smithfield, NC 27577.

Alliance Behavioral Healthcare is subcontracting with Johnston County to perform certain PIHP and LME functions as permitted by state and federal law and regulations and the MCO Waiver Contract. Subcontracted services will include care coordination and maintining a local presence in Johnston County and providing an understanding of the complexities of the providers, consumers, and other stakeholders in each County. This agreement became effective in January 2013. Operations that were performed by Johnston County Mental Health Authority (a blended component unit of the County) are now shared between Alliance Behavioral Healthcare and the Johnston County Health Department. The Mental Health Authority still exists, but merely acts as a contractor to perform mental health services.

Note 20 – Jointly governed organization

The County, in conjunction with other counties and municipalities, established the Triangle J Council of Governments (the "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 $84,187 to the Council during the fiscal year ended June 30, 2015.

Note 21 – Benefits payments issued by the state

The amounts listed below were paid directly to recipients by the state from federal and state monies on behalf of the County. County personnel are involved with certain functions, primarily eligibility determinations that 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
Temporary assistance for needy families	$ 864,728	$ (67)
Medicaid	143,198,685	77,328,047
Energy Assistance	538,500	-
WIC	3,754,288	-
NC Health Choice	3,382,233	1,067,059
Special Assistance for Adults	1,224,378	-
Total	$ 152,962,812	$ 78,395,039

Note 22 – Summary disclosure of significant contingencies

Federal and state assisted programs - The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant 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 grant monies.

Note 23 – Additional Disclosures Concerning Water District Presentation (Exhibits E-1, E-2)

USDA has requested that each water district within the County be presented separately as opposed to being consolidated into one Water District Operating Fund. However, the County did not have each of the District's separated out into individual funds, so adequate information was not available to provide separate schedules for each district. In addition, there was no separate budget prepared for each water district. In consultation with the Local Government Commission and USDA, the County has decided not to report these Water Districts in separate funds at this time, but rather to break the districts out based on usage and other measures agreed upon by all parties involved. Per USDA's request, the County prepared separate balance sheets and revenue and expenditure schedules for each water district based on the following: On the individual Balance Sheets, the amounts for Restricted Cash, Fixed Assets, Accrued Interest, and Debt are based on USDA reserve requirement, Fixed Asset Schedules, and Debt Schedules, so these numbers are properly reflected for each district. However, the remaining balance sheet items are allocated based on a proportionate rate determined by the Finance Staff and allocated across the districts based on that proportionate rate. On the Schedule of Revenues and Expenditures, Depreciation Expense and Interest Expense, as well as the prior period adjustment amount, are based on the Fixed Asset Schedules and Debt Schedules. In addition, the grant amounts (capital contributions) are properly reflected in the district for which the grant was received. However, the remaining information was allocated based on the proportionate percentage determined by the Finance Staff.

Note 24 - Prior Period Adjustment

A prior period adjustment of ($423,732) was made in the General Fund related to amounts previously posted in the Mental Health fund. This adjustment decreased the fund balance of the General Fund. The County's finance office started maintaining the records for Mental Health at the beginning of the year. Adjustments were made to correct beginning balances based on information that the finance office received from Mental Health. The County determined that some of the roll over items that were recorded on the Balance Sheet needed to be cleared out, so an adjustment was recorded to remove those items from the balance sheet.

The Enterprise Fund recorded the following adjustments to add items that had previously been expensed to the Capitalized Assets: Solid Waste $63,491, Water Fund $13,805; Wastewater Fund $21,757. These adjustments increased fund balance in their respective funds.

The Government-Wide Statements recorded the following adjustments to correct capital outlay: Construction in Process included an asset that had also been capitalized, which resulted in a decrease in fund balance of $590,216; Additional cost for an asset that had previously been expensed was added to the fixed asset schedule, resulting in an increase in fund balance of $19,724.

Note 25 - Subsequent Events

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through December 18, 2015, the date the financial statements were available to be issued.

Note 26 - Change in Accounting Principles / Restatement

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27),* in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $4,989,016 and $622,339, respectively.

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The following financial statements have been compiled from the audited financial statements of the County for the fiscal years ended June 30, 2015, 2014, and 2013.

County of Johnston, North Carolina

General Fund

Balance Sheet

As of June 30, 2015, 2014, and 2013

	2015	2014	2013
ASSETS			
Cash and cash equivalents	$ 40,326,410	$ 36,544,836	$ 34,843,797
Restricted cash	330,843	-	993,114
Receivables (net):			
Taxes	635,570	1,208,104	2,084,992
Accounts	1,539,239	244,757	110,453
Interest	860	728	2,352
Notes	120,000	120,000	120,000
General Fund advance from Capital Projects	-	-	168,738
Due from other funds	-	1,242,257	-
Due from other governments	11,906,304	13,910,614	10,470,798
Prepaid items	-	252,806	947,668
Total assets	$ 54,859,226	$ 53,524,102	$ 49,741,912
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 2,722,626	$ 2,596,199	$ 2,393,972
Payroll withholding	8,399	42,286	22,613
Due to other funds	-	240	240
Total liabilities	2,731,025	2,638,725	2,416,825
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	128,857	136,066	135,261
Taxes receivable	635,570	1,208,104	2,084,992
Other receivables	-	-	183,975
Total deferred inflows of resources	764,427	1,344,170	2,404,228
Fund balances:			
Nonspendable			
Prepaid items	$ -	$ 252,806	$ 947,668
Restricted			
Stabilization by State Statutes	13,928,080	15,813,575	10,991,766
Committed			
Economic Development	425,650	400,000	-
Public Safety	1,259,180	1,342,881	1,808,078
Mental Health	350,000	350,000	1,642,126
Automation Enhancement	274,868	239,471	225,080
Capital Purchases (fee in lieu)	879,507	1,050,896	1,048,924
Industrial Infrastructure	-	-	400,000
Assigned			
Subsequent year's expenditures	3,962,737	4,685,779	5,585,355
Unassigned	30,283,752	25,405,799	22,271,862
Total fund balances	$ 51,363,774	$ 49,541,207	$ 44,920,859
Total liabilities, deferred inflows of resources, and fund balances	$ 54,859,226	$ 53,524,102	$ 49,741,912

The accompanying note is an intergral part of this statement

County of Johnston, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Revenues			
Ad valorem taxes	$ 114,023,769	$ 114,508,170	$ 107,276,025
Local option sales tax	31,254,178	27,940,810	26,410,423
Other taxes and licenses	35,052	28,553	28,771
Unrestricted intergovernmental	1,544,077	1,621,965	1,304,261
Restricted intergovernmental	34,194,821	35,098,700	37,093,059
Permits and fees	7,387,444	6,356,024	5,558,550
Sales and services	7,006,380	6,156,947	8,220,422
Investment earnings	41,948	40,343	61,796
Miscellaneous	128,725	245,752	427,595
Total revenues	195,616,394	191,997,264	186,380,902
Expenditures			
Current:			
General government	$ 16,130,259	$ 15,717,086	$ 14,451,687
Public safety	32,394,484	30,779,865	30,410,749
Economic and physical development	3,171,181	3,134,135	2,513,742
Human services	42,980,839	41,553,326	43,711,124
Cultural and recreational	441,000	443,580	496,160
Education	57,659,058	56,625,483	56,443,203
Debt service:			
Principal retirement	25,669,256	24,587,024	19,910,341
Interest and fees	12,117,362	12,572,331	13,240,559
Total expenditures	$ 190,563,439	$ 185,412,830	$ 181,177,565
Revenues over expenditures	$ 5,052,955	$ 6,584,434	$ 5,203,337
Other financing sources (uses):			
Installment purchase proceeds	$ -	$ 616,302	$ 1,273,637
Transfers from other funds:			
Special Revenue Fund	-	-	400,000
Transfers to other funds:			
Special Revenue Fund	-	(430,388)	(430,388)
Capital Projects Fund	(3,230,388)	(2,150,000)	(2,373,792)
Total other financing (uses)	$ (3,230,388)	$ (1,964,086)	$ (1,130,543)
Net Change in Fund Balance	1,822,567	4,620,348	4,072,794
Fund balances, beginning of year	49,541,207	44,920,859	40,848,065
Fund balances, end of year	$ 51,363,774	$ 49,541,207	$ 44,920,859

The accompanying note is an intergral part of this statement

County of Johnston, North Carolina

Enterprise Funds

Combined Statement of Net Position

As of June 30, 2015, 2014, and 2013

	2015	2014	2013
ASSETS			
Current assets:			
Cash and cash equivalents	$ 33,644,197	$ 29,613,790	$ 27,195,603
Restricted cash	1,218,674	928,902	1,663,711
Receivables (net):			
Accounts	3,830,796	3,484,970	3,179,078
Interest	102,898	103,245	1,933
Due from other funds	4,125,923	4,118,575	2,423,797
Due from other governments	424,122	363,227	505,775
Due from Water Districts Current portion of LOBs	1,360,000	1,435,000	-
Prepaid items	1,607	1,452	1,439
Total current assets	44,708,217	40,049,161	34,971,336
Noncurrent assets:			
Net Pension Asset	465,555	-	-
Due from Water Districts Noncurrent portion of LOBs	56,965,000	58,325,000	-
Capital assets, net	222,722,413	232,254,037	240,725,590
Total noncurrent assets	280,152,968	290,579,037	240,725,590
Total assets	$ 324,861,185	$ 330,628,198	$ 275,696,926
DEFERRED OUTFLOWS OF RESOURCES	$ 329,043	$ -	$ -
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	$ 337,771	$ 591,739	$ 425,498
Due to other funds	4,196,371	4,189,023	2,494,245
Prepaid decals - landfill	50,960	-	-
Solid waste fines	31,270	22,585	19,150
Current maturities of long-term debt	4,987,272	4,962,162	4,662,304
Utility deposits	836,335	788,830	749,268
Accrued interest	625,869	385,105	910,917
Other deposits	816,490	680,950	856,653
Due to the county (LOBs)	1,360,000	1,435,000	-
Compensated absences payable	153,638	148,393	144,923
Total current liabilities	13,395,976	13,203,787	10,262,958
Long-term liabilities:			
Accrued landfill closure and postclosure	14,182,917	17,534,481	17,275,351
Other Post Employment Benefits	6,015,417	5,429,361	4,638,972
Long-term debt	108,898,511	109,195,623	116,965,383
Unamortized bond premium	-	4,565,493	-
Due to the county (LOBs)	56,965,000	58,325,000	-
Compensated absences payable	227,125	219,372	214,243
Total long-term liabilities	186,288,970	195,269,330	139,093,949
Total liabilities	$ 199,684,946	$ 208,473,117	$ 149,356,907
DEFERRED INFLOWS OF RESOURCES	$ 17,210,903	$ 16,570,557	$ 17,064,883
NET POSITION			
Net investment in capital assets	$ 108,836,630	$ 113,530,759	$ 120,262,801
Unrestricted	(542,251)	(7,946,235)	(10,987,665)
Total net position	$ 108,294,379	$ 105,584,524	$ 109,275,136

The accompanying note is an intergral part of this statement

County of Johnston, North Carolina

Enterprise Funds

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Operating revenues:			
Charges for services	$ 36,315,161	$ 33,777,498	$ 30,832,149
Water and sewer taps	370,620	315,278	308,815
Total operating revenues	36,685,781	34,092,776	31,140,964
Operating expenses:			
General operating	26,292,055	25,658,728	25,511,940
Depreciation and amortization	12,049,590	12,123,782	11,757,756
Total operating expenses	38,341,645	37,782,510	37,269,696
Operating (loss)	$ (1,655,864)	$ (3,689,734)	$ (6,128,732)
Nonoperating revenues (expenses):			
Disposal and state 1% taxes	380,323	265,004	264,199
Solid Waste Fees	265,804	454,155	232,867
Landfill Gas to Energy Proceeds	104,264	108,526	-
Sales tax refund	-	218,261	199,961
State electronics fund	-	-	9,916
Investments earnings	2,521,902	1,035,412	41,978
Late fees collected	2,450	2,571	3,477
Miscellaneous	214,253	65,097	118,463
Gain (Loss) on Sales of capital assets	80,365	-	11,145
Capital commodity surcharge	-	-	(53,463)
Reimbursement - NCDOT	134,699	-	-
Landfill closure costs	3,351,564	(259,130)	(654,496)
Operating subsidy - HUD	3,556,777	3,281,586	3,525,220
Fraud recovery	17,675	25,369	22,041
Interest and bond issuance costs	(6,325,258)	(6,184,338)	(4,562,226)
Total nonoperating revenues (expenses)	4,304,818	(987,487)	(840,918)
Income (loss) before transfers and capital contributions	$ 2,648,954	$ (4,677,221)	$ (6,969,650)
Transfers (to) other funds:			
Capital Projects Fund	-	(400,000)	-
Total transfers	-	(400,000)	-
Capital contributions			
Developer	-	18,387	-
Capital contributions	683,240	1,368,222	1,711,713
Total	683,240	1,386,609	1,711,713
Change in net position	3,332,194	(3,690,612)	(5,257,937)
Total net assets, beginning	105,584,524	109,275,136	114,533,073
Restatement	(622,339)	-	-
Total net assets - beginning (as restated)	104,962,185	109,275,136	114,533,073
Total net assets, end	$ 108,294,379	$ 105,584,524	$ 109,275,136

The accompanying note is an intergral part of this statement

County of Johnston, North Carolina
Enterprise Funds
Combined Statement of Cash Flows
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Cash Flows from Operating Activities			
Cash received from customers	$ 36,033,642	$ 33,302,385	$ 31,706,915
Cash paid from goods and services	(17,079,791)	(16,257,001)	(16,252,315)
Cash paid to employees	(5,907,361)	(5,344,215)	(5,157,705)
Cash paid from housing assistance	(3,248,814)	(3,191,335)	(3,212,224)
Miscellaneous	234,378	192,090	-
Net cash provided by (used in) operating activities	10,032,054	8,701,924	7,084,671
Cash Flows from Noncapital Financing Activities:			
Transfers (to) other funds	-	(400,000)	-
Miscellaneous	-	-	143,981
Operating subsidy-HUD	3,556,777	3,281,586	3,525,220
Net cash provided by noncapital financing activities	3,556,777	2,881,586	3,669,201
Cash Flows from Capital and Related Financing Activities:			
Disposal and State 1% tax	380,323	265,004	264,199
Solid Waste Fees	265,804	454,155	232,867
Landfill Gas to Energy Proceeds	104,264	108,526	-
State Electronics fund	13,674	-	9,916
Sale of capital assets	80,365	-	11,145
Issuance of debt related to capital	391,441	71,619,396	5,158,930
Capital contributions	683,240	1,368,222	1,711,713
Other Contributions	121,025	-	-
Interest and bond issuance cost	(6,327,808)	(6,113,598)	(4,601,139)
Sales tax refunds	-	218,261	199,961
Acquisition of capital assets	(2,517,607)	(3,652,228)	(14,332,092)
Capital commodity surcharge	-	-	(53,463)
Developer contributions	-	18,387	-
Premium on bond issuance	-	4,613,940	-
Refunded debt	-	(73,996,473)	-
Repayment of debt obligations	(4,985,622)	(5,737,824)	(4,263,602)
Net cash used in capital and related financing activities	(11,790,901)	(10,834,232)	(15,661,565)
Cash Flows of Investing Activities			
Investment income	2,522,249	934,100	46,694
Net increase (decrease) in cash and cash equivalents	4,320,179	1,683,378	(4,860,999)
Cash and cash equivalents, beginning of year	30,542,692	28,859,314	33,720,313
Cash and cash equivalents, end of year	$ 34,862,871	$ 30,542,692	$ 28,859,314

The accompanying note is an intergral part of this statement

County of Johnston, North Carolina

Enterprise Funds

Combined Statement of Cash Flows

For the Fiscal Years Ended June 30, 2015, 2014, and 2013

(Continued)

	2015	2014	2013
Cash Flows from Operating Activities:			
Operating loss	$ (1,655,864)	$ (3,689,734)	$ (6,128,732)
Adjustments to reconcile operating (loss)			
to net cash provided by operating activities:			
Nonoperating (miscellaneous)	234,378	93,037	-
Depreciation	12,049,590	12,123,782	11,757,756
Pension expense	32,713	-	-
(Increases) in:			
Accounts receivable	(406,785)	(163,346)	(175,248)
Prepaid expenses	(155)	(13)	(367)
Deferred outflows of resources for pensions	(314,977)	-	-
Increase (decrease) in:			
Compensated absence payable	12,998	8,598	(419)
Utility deposits	47,505	39,562	18,115
Other deposits	135,540	(172,268)	55,717
Accounts payable and accrued expenses	(245,581)	166,242	80,221
Deferred Revenue	(494,326)	-	-
Other Post Employment Benefits	586,058	790,390	809,894
Prepaid Decals-landfill	50,960	-	(126,815)
Deferred revenue	-	(494,326)	794,549
Total adjustments	11,687,918	12,391,658	13,213,403
Net cash provided by operating activities	$ 10,032,054	$ 8,701,924	$ 7,084,671

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Notes to the Compiled Financial Statements

Reclassification

General Fund and Enterprise Funds – For the fiscal year ending June 30, 2015 the County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27) which changed the reporting requirements for the Government Wide statements as well as the Water and Sewer statements. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $4,989,016 and $622,339 respectively for the June 30, 2015 fiscal year.

Prior Period Adjustments

Issues Addressed in the 2013 Fiscal Year End

General Fund The audited Statements of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2013 contains a prior period adjustment to account for an error related to payments posted in prior years in the Mental Health fund. In addition, the unassigned fund balance increased to account for this adjustment on the Balance Sheet. The compiled financial statements for the fiscal year ended June 30, 2012 have been restated to conform to the 2013 presentation, the net effect of which decreased human services expenditures and increased fund balance by $10,778 in 2012.

Issues Addressed in the 2014 Fiscal Year End

General Fund – The audited Statements of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2014 contains a prior period adjustment to account for an error related to payments posted in prior years in the Mental Health fund. In addition, the unassigned fund balance decreased to account for this adjustment on the Balance Sheet. The compiled financial statements for the fiscal year ended June 30, 2013 have been restated to conform to the 2014 presentation, the net effect of which increased human services expenditures and decreased fund balance by $750,778 in 2013.

Issues Addressed in the 2015 Fiscal Year End

General Fund – The audited Statements of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2015 contains a prior period adjustment to account for an error related to payments posted in prior years in the Mental Health fund. In addition, the unassigned fund balance decreased to account for this adjustment on the Balance Sheet. The compiled financial statements for the fiscal year ended June 30, 2014 have been restated to conform to the 2015 presentation, the net effect of which increased human services expenditures and decreased fund balance by $423,732 in 2014.

Enterprise Fund-- The audited Statements of Revenues, Expenditures and Changes in Fund Net Position for the fiscal year ended June 30, 2015 contains a prior period adjustment to account for items that had previously been expensed to general operations; when they should have been capitalized. In addition, the fund balance increased. The compiled financial statements for the fiscal year ended June 30, 2014 have been restated to conform to the 2015 presentation, the net effect of which reduced expenditures and increased long term assets by $99,053 in 2014.

The following budget statements have been compiled from the budget ordinance and related amendments of the County for the fiscal year ending June 30, 2016.

County of Johnston, North Carolina

Compiled Budget - Annually Budgeted Funds

For the Fiscal Year Ending June 30, 2016

	General Fund	Enterprise Funds
Estimated revenues:		
Ad valorem taxes	$ 116,591,000	$ -
Local option sales taxes	31,401,021	-
Other taxes and licenses	35,000	-
Unrestricted intergovernmental	1,346,000	-
Restricted intergovernmental	32,699,945	436,000
Permits and fees	7,225,250	63,500
Sales and services	6,011,203	36,174,750
Investment earnings	40,000	2,575,236
Operating subsidy - HUD/HAPP admin fees	-	3,580,754
Miscellaneous	1,170,170	150,000
Total estimated revenues	196,519,589	42,980,240
Appropriations:		
General government	14,769,852	-
Public safety	33,001,437	-
Economic and physical development	3,100,222	-
Human services	45,693,661	-
Cultural and recreational	441,000	-
Intergovernmental		
Education	59,618,000	-
Administration (Public Utilities)	-	1,196,400
Solid waste operation	-	5,125,100
Wastewater treatment and transmission	-	4,065,675
Water transmission and treatment	-	8,840,750
Water districts fund	-	6,307,725
Housing assistance payments and administration	-	3,581,090
Capital outlay	3,456,263	3,068,000
Debt service:		
Principal retirement	26,191,186	6,103,958
Interest and fees	10,879,317	6,444,097
Total appropriations	197,150,938	44,732,795
Estimated revenues over (under) appropriations	(631,349)	(1,752,555)
Other financing sources (uses):		
Transfers from other funds:		
General Fund	-	975,000
Capital Projects Fund	1,774,000	-
Transfers to other funds:		
Enterprise Fund	(975,000)	-
Special Revenue Fund	(430,388)	-
Capital Projects Fund	(3,700,000)	-
Appropriated fund balances	3,962,737	777,555
Total other financing sources (uses)	631,349	1,752,555
Estimated revenues and other sources over appropriations and other uses	$ -	$ -

Compiled by the staff of the Johnston County Finance Department.

May __, 2016

Board of Commissioners for the
County of Johnston, North Carolina

Re: $27,000,000 County of Johnston, North Carolina General Obligation Public Improvement Bonds, Series 2016

We have acted as bond counsel in connection with the $27,000,000 General Obligation Public Improvement Bonds, Series 2016, dated May __, 2016 (the "Bonds") of the County of Johnston, North Carolina (the "County"). We have examined existing law and certified copies of such legal proceedings, including resolutions of the County providing for the issuance of the Bonds, and such other proofs as we deem necessary to render this opinion.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to The Local Government Bond Act, as amended, and Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina.

2. The Bonds constitute valid and binding general obligations of the County, for the payment of the principal of and the interest on which all taxable real and tangible personal property within the County is subject to the levy of ad valorem taxes, without limitation as to rate or amount.

3. Assuming continuing compliance by the County with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditure and investment of Bond proceeds and, if required, the timely payment to the United States Treasury of certain investment earnings, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and is exempt from all present State of North Carolina income taxes.

4. Interest on the Bonds is not a specific item of tax preference for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals.

The ownership of the Bonds and the accrual or receipt of interest thereon may result in other federal, state or local tax consequences upon which we express no opinion (including, without limitation, the inclusion of interest on the Bonds in certain calculations related to the federal corporate alternative minimum tax).

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

NEXSEN PRUET, PLLC

By: ______________________________
Authorized Member

May __, 2016

Board of Commissioners for the
County of Johnston, North Carolina

Re: $11,925,000 County of Johnston, North Carolina General Obligation Refunding Bonds, Series 2016

We have acted as bond counsel in connection with the $11,925,000 General Obligation Refunding Bonds, Series 2016, dated May __, 2016 (the "Bonds") of the County of Johnston, North Carolina (the "County"). We have examined existing law and certified copies of such legal proceedings, including resolutions of the County providing for the issuance of the Bonds, and such other proofs as we deem necessary to render this opinion.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to The Local Government Bond Act, as amended, and Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina.

2. The Bonds constitute valid and binding general obligations of the County, for the payment of the principal of and the interest on which all taxable real and tangible personal property within the County is subject to the levy of ad valorem taxes, without limitation as to rate or amount.

3. Assuming continuing compliance by the County with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, use, expenditure and investment of Bond proceeds and, if required, the timely payment to the United States Treasury of certain investment earnings, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and is exempt from all present State of North Carolina income taxes.

4. Interest on the Bonds is not a specific item of tax preference for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals.

The ownership of the Bonds and the accrual or receipt of interest thereon may result in other federal, state or local tax consequences upon which we express no opinion (including, without limitation, the inclusion of interest on the Bonds in certain calculations related to the federal corporate alternative minimum tax).

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

NEXSEN PRUET, PLLC

By: ___________________________
Authorized Member

DTC's Book-Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC, each in the aggregate principal amount of such maturity and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNER OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments that DTC's direct participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities trough electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AAA by Standard & Poor's Ratings Services ("S&P"). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of actual purchasers of the Bonds ("Beneficial Owners") is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults and proposed amendments to the security documents.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, or in the event the County desires to use a similar book-entry system with another securities depository, there may be a successor securities depository (all references to DTC include any such successor). The County may also decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository) at any time pursuant to DTC's rules and procedures or the rules and procedures of a successor securities depository. If the book-entry system is discontinued and there is no successor securities depository, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry has been obtained from DTC, and the County takes no responsibility for the accuracy thereof.

The County cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal, premium, if any, or interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) prepayment or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR PREPAYMENT PRICE OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE BOND ORDERS AND RESOLUTION; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.