

JOHNSON COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2014*

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 37,134,716. The unassigned fund balance of \$ 18,313,030 constitutes 49.32% of ending fund balance. The fund balance is categorized as 1) nonspendable (\$ 963,743), 2) restricted (\$ 17,857,943), and 3) unassigned (\$ 18,313,030).

Fund balance of the General Fund decreased by \$ 2,585,074; the Road and Bridge (special revenue fund) increased by \$ 1,381,583; the General Debt Service (debt service fund) increased by \$ 131,820, and, other (non-major) governmental funds increased by \$ 3,519,844.

The decrease in fund balance in the general fund, as compared to the prior year, resulted from the transfer of funds to the capital projects funds for projects that are ongoing for the County. General fund revenues were up slightly and expenditures were up from the prior year due to the overall increases in the cost of operations, during the current year. Regarding the Road & Bridge (special revenue fund), the increase in fund balance was the result of decreased highway and street maintenance and construction. The increase in fund balance for the General Debt Service (debt service fund) was, as compared to the prior year, the result of expected maturities of debt with expected property tax revenue. The change in fund balance for other governmental funds generally is a result of changes in special revenue projects, grants and awards and other capital project expenditures. The related decrease in fund balance in the current year is significantly lower than the prior year decrease in fund balance.

General Fund Budgetary Highlights. The County budget is prepared by the County Judge's Office and presented to Commissioners Court for approval. The County operates within this budget for the fiscal year with expenditure amendments made as needed.

The difference between the General Fund original expenditure budget and the revised budget was a \$ 4,107,188 increase including \$ 1,145,582 in transfers out. There were no relatively large amendments approved this year, except for the increase in transfers out for programs and construction projects and anticipated increases in law enforcement costs.

During the year, revenues exceeded budget while expenditures were less than the budget. Revenues were higher across the board. Lower than budgeted expenditures resulted in many areas, primarily in the general government expenditures.