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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Dickinson County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities increased 1.3%, or approximately \$185,000, from fiscal 2008 to fiscal 2009. Property tax and other county tax decreased approximately \$515,000, charges for service increased approximately \$168,000, operating grants, contributions and restricted interest decreased approximately \$40,000, capital grants, contributions and restricted interest decreased approximately \$418,000, local option sales tax decreased approximately \$64,000 and unrestricted investment earnings decreased approximately \$140,000.
- ◆ Program expenses of the County's governmental activities decreased 1.2%, or approximately \$152,000, from fiscal 2008 to fiscal 2009. Roads and transportation expenses increased \$56,000, county environment and education expenses decreased approximately \$167,000 and administration expenses increased approximately \$216,000.
- ◆ The County's net assets increased 4.8%, or approximately \$1,136,000, from June 30, 2008 to June 30, 2009.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dickinson County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dickinson County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dickinson County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

### REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

## *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax, state and federal grants finance most of these activities.

## *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and Tax Increment Financing and Urban Renewal, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL

As noted earlier, net assets may serve over time as a useful indicator of financial position. Dickinson County's combined net assets increased 4.8%, from approximately \$23.51 million to approximately \$24.64 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

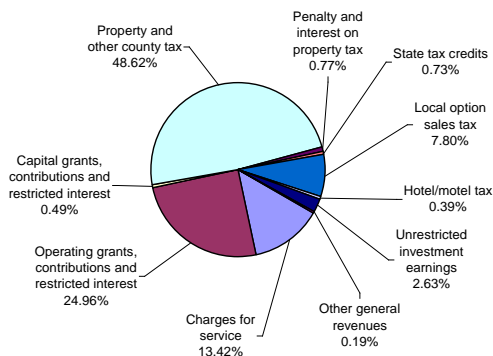
Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 22,464	20,162
Capital assets	28,494	26,095
Total assets	<u>50,958</u>	<u>46,257</u>
Long-term liabilities	17,193	14,798
Other liabilities	9,121	7,951
Total liabilities	<u>26,314</u>	<u>22,749</u>
Net assets:		
Invested in capital assets, net of related debt	16,384	14,703
Restricted	8,641	5,045
Unrestricted	(381)	3,760
Total net assets	<u>\$ 24,644</u>	<u>23,508</u>

Net assets of Dickinson County's governmental activities increased approximately \$1,136,000 (\$24.64 million compared to \$23.51 million). A large portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at approximately \$(381,000) at June 30, 2009.

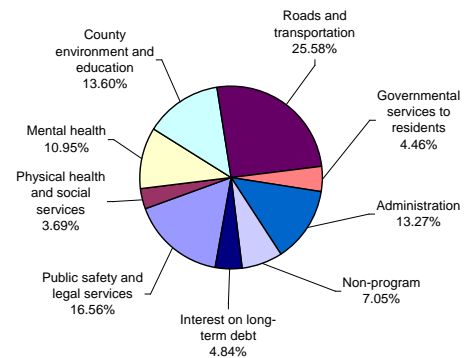
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,884	1,716
Operating grants, contributions and restricted interest	3,504	3,544
Capital grants, contributions and restricted interest	69	487
<b>General revenues:</b>		
Property and other county tax, including tax increment financing	6,823	6,308
Penalty and interest on property tax	108	99
State tax credits	103	117
Local option sales tax	1,095	1,031
Hotel/motel tax	55	39
Unrestricted investment earnings	369	509
Other general revenues	26	1
Total revenues	14,036	13,851
<b>Program expenses:</b>		
Public safety and legal services	2,136	2,067
Physical health and social services	476	521
Mental health	1,413	1,445
County environment and education	1,754	1,921
Roads and transportation	3,300	3,244
Governmental services to residents	575	513
Administration	1,712	1,928
Non-program	910	915
Interest on long-term debt	624	498
Total expenses	12,900	13,052
Increase in net assets	1,136	799
Net assets beginning of year	23,508	22,709
Net assets end of year	\$ 24,644	23,508

**Revenues by Source**



**Expenses by Function**



The County decreased property tax rates for fiscal year 2009 by an average of 12.5%. The taxable valuation increased, resulting in an increase in the County's property tax revenue of approximately \$100,513 for fiscal year 2009. Based on increases in the taxable valuation and changes in levy rates for fiscal year 2010, property tax is budgeted to increase approximately \$503,670.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Dickinson County completed the year, its governmental funds reported a combined fund balance of approximately \$13.41 million, an increase of approximately \$1,930,000 from last year's total of approximately \$11.48 million. The increase in fund balance is primarily attributable to the completion of the courthouse and jail project. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$20,000 and expenditures increased approximately \$961,000. The ending fund balance decreased approximately \$183,000 from the prior year to approximately \$4.26 million. The County transferred approximately \$36,000 more from the General Fund to other budgetary funds during the current fiscal year compared to the prior fiscal year. The revenues decreased due to decreased tax levied and a decrease in interest rates.

The expenditures increased due to increased salaries, FICA, IPERS and health insurance benefits and new boilers at the Oak Haven Care Facility.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.41 million, a decrease of approximately 2.19% from the prior year. The Mental Health Fund balance at year end increased approximately \$446,000 from the prior year. Revenues increased approximately \$588,000 due primarily to increased state growth dollars and an increase in case management rates. The County levies the maximum allowable by statute and has implemented a waiting list policy for any non-mandated services requested. Shortfalls from property tax credits and delinquent taxes are absorbed by using the fund balance to meet the needs of mandated services. If these trends continue, the County will need to look to eliminating programs and services currently fully funded.
- The Rural Services Fund revenues increased approximately \$175,000. This was primarily due to an increase in property and local option sales tax revenue of approximately \$175,000. Expenditures increased approximately \$61,000. The County increased the amount of transfers from the Rural Services Fund to the Secondary Roads Fund approximately \$185,000. The Rural Services Fund balance decreased approximately \$193,000 at June 30, 2009.
- Secondary Roads Fund expenditures increased approximately \$805,000 from the prior year, due principally to the start up of capital projects in fiscal year 2009. Secondary Roads Fund revenues increased approximately \$30,000, which was primarily due to a decrease in road use tax receipts and state project reimbursements. Transfers from the Rural Services Fund and General Fund increased approximately \$185,000 and \$600, respectively. The decrease in expenditures, tempered with an increase in transfers, resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$381,000, or 19%.
- The Tax Increment Financing and Urban Renewal Fund expended approximately \$572,000 for the payment of bond principal and interest and payments on development agreements. The balance in the fund at June 30, 2009 was approximately \$3,538,000.

- Revenues of the Debt Service Fund decreased approximately \$570. Expenditures increased approximately \$10,110,000 as a result of refinancing of the Courthouse General Obligation Bonds payments over the prior year. The ending balance in the Debt Service Fund increased approximately \$32,000.
- During the fiscal year ended June 30, 2009, the County issued \$10 million of general obligation bonds to refinance the initial general obligation bonds issued during fiscal year 2005. The refinancing was done in order to reduce overall interest payments over the life of the bond. Savings in interest payments are projected to be approximately \$202,000

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Dickinson County amended its budget once. The amendment was made on June 2, 2009 and resulted in an increase in budgeted disbursements of \$15,635. The functions increased were \$226,955 mental health, \$385,000 within county environment and education, \$72,100 within roads and transportation, \$10,080,000 within debt service and \$4,940,000 within capital projects.

The County's receipts were approximately \$476,000 less than budgeted, a variance of 3.4%. The most significant variances resulted from the County receiving less property and less intergovernmental receipts than anticipated.

Total disbursements were approximately \$5.7 million less than the amended budget. Actual disbursements for the capital projects, county environment and education, and debt service functions were approximately \$4,425,000, \$711,000, and \$151,000, respectively, less than budgeted.

The actual disbursements for the capital projects function were less than the budgeted amount by approximately \$4,425,000 because of delays in the progress of the revocation and the Oak Haven Facility which were beyond the control of the County.

The actual disbursements for the county environment and education function were less than the budgeted amount by approximately \$711,000 because of delays in trail construction projects as well as some maintenance items for the Trails Board.

The actual disbursements for the debt function were approximately \$151,000 less than the budgeted amount because for fiscal year 2009 were higher than actual anticipated debt payments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, Dickinson County had approximately \$28.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2.4 million, or approximately 9.1%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 1,628	1,339
Buildings and improvements	16,284	792
Equipment and vehicles	2,518	2,280
Construction in progress	1,234	14,935
Infrastructure	6,830	6,749
Total	\$ 28,494	26,095

This year's major additions included (in thousands):

Building - courthouse and jail facility	\$ 15,350
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The County had depreciation expense of approximately \$835,000 in fiscal year 2009 and total accumulated depreciation of approximately \$25.6 million at June 30, 2009.

The County's fiscal year 2009 capital projects budget included approximately \$6.9 million for capital projects, principally for the completion of the construction of the courthouse, jail facility and roadway construction. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

Dickinson County had approximately \$17.8 million in outstanding debt at June 30, 2008, which included \$16.7 million in general obligation bonds and \$730,000 in urban revitalization bonds, compared to total outstanding debt of approximately \$14.56 million at June 30, 2008.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2009	2008
General obligation bonds	\$ 16,720	13,496
Urban revitalization bonds	730	760
Drainage warrants	347	307
Total	\$ 17,797	14,563

Total debt increased approximately \$3,200,000, primarily as a result of issuing \$42,000 of stamped drainage warrants and the issuance of additional general obligation debt of \$3,190,000 for East Okoboji Beach Renovation project.

The County continues to carry a general obligation bond rating of Aaa/A1 (Moody's) assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Dickinson County's outstanding general obligation debt is significantly below its constitutional debt limit of \$146,603,648. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Dickinson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 2000-2008, averaging per year gains of 2.1%. Unemployment in the County now stands at 8.4% versus 5.4% a year ago. This compares with the State's unemployment rate of 6.6% and the national rate of 10.0%.

Inflation in the State is slightly lower than the national Consumer Price Index increase. The State's CPI increase was 0.6% for 2009 compared with the national rate of 2.7%. Inflation has been modest here due in part to the residential housing market.

The County's budgetary fund balance is expected to decrease by the close of 2010 from the fiscal year 2009 actual balance of approximately \$6.8 million to approximately \$6.5 million.

The budget was influenced by the following factors: 1) the budget reflects an increase in employee pay as well as the ongoing increases in health insurance, fuel costs, utilities and workers compensation insurance, 2) it reflects an increased expense for Public Health services contract with Lakes Regional Healthcare, 3) it reflects the efforts of departments to reduce department budgets by 4% where possible in order to keep tax asking as low as possible, 4) it reflects a designated fund for the Nature Center to cover one-time expenses for the renovation of the Nature Center, 5) it reflects a loss in revenues from state reimbursements. 6) the budget reflects the ongoing large increases in fuels and utilities for the maintenance of the new courthouse and jail facility that is now fully occupied by county departments.

These goals were defined with a desire to keep the tax levy from increasing substantially for the General Fund and the Rural Services Fund, especially in light of the debt service levy to pay interest and principal on the bonds for the Courthouse and jail. Dickinson County is fortunate to experience development growth, increasing retail businesses and modest, permanent population growth. The County includes thousands of secondary cottages and homes and the population swells many times over during the prime summer months, requiring additional county services such as law enforcement, planning and zoning and county attorney. The County continues to try to maintain and improve services and programs to its taxpayers in a conservative fashion.

These factors were considerations for the fiscal year 2010 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	2009 Dollars Certified	2010 Dollars Certified	Percentage Change
General Basic Levy	\$3,496,768	3,755,920	+7.4%
Mental Health Levy	412,509	371,259	-10.0%
Rural Services Levy	1,133,260	1,266,387	+11.8%
Debt Services Levy	1,157,088	1,309,730	+13.2%
Total	6,199,625	6,703,295	+10.6%

Levy rates (expressed in \$/\$1,000 of taxable valuation) to produce the above dollars for fiscal year 2010 and fiscal year 2009 are as follows:

Fund	2009	2010	change
General Basic Levy	\$ 2.06135	2.06135	0.0%
Mental Health Levy	0.24317	0.20376	-16.0%
Rural Services Levy	1.65410	1.75410	+ 6.0%
Debt Service Levy	0.59833	0.64352	+7.5%

Budgeted receipts in the fiscal year 2010 operating budget are approximately \$372,678 more than the fiscal year 2009 actual receipts of approximately \$13.5 million, which is an increase from the fiscal year 2009 final receipts of 5.00%. Budgeted disbursements in the fiscal year 2010 operating budget are approximately \$18 million, which is an increase over the fiscal year 2009 actual final disbursements of approximately \$15.0 million. Total taxable valuations increased approximately \$125 million from \$1.7 billion to \$1.8 billion.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Dickinson County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Dickinson County Auditor's Office, 1802 Hill Avenue, Spirit Lake, Iowa 51360 or visit the county's website at [www.co.dickinson.ia.us](http://www.co.dickinson.ia.us).

