

CITY OF HULL

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2007

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City of Hull

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Kooima	Mayor	Jan 2008
Roger Vis	Council Member	Jan 2008
Russ Goold	Council Member	Jan 2008
Dave Van Otterloo	Council Member	Jan 2010
Gary Westra	Council Member	Jan 2010
Roger Buys	Council Member	Jan 2010
Les Van Roekel	City Administrator	Indefinite
Dwayne Bonestroo	Clerk/Treasurer	Indefinite
DeKoster & DeKoster (John)	Attorney	Indefinite

# KROESE & KROESE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

31 2ND AVENUE NW  
LE MARS, IA 51031  
(712) 546-5131

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hull, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Hull management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits continued in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hull as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated December 24, 2007 on our consideration of the City of Hull’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hull’s basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Le Mars, Iowa  
December 24, 2007

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## **MANGEMENTS DISCUSSION AND ANALYSIS**

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The City of Hull 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2007 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased \$202,566, due primarily to more income and did not spend everything in budget for expenses.
- The cash basis net assets of the City's business type activities increased \$641,521, due primarily to sold Lewis and Clark bonds May, 2007.

### **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 City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement by providing information about the most significant 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 City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sewer systems. These activities are financed primarily by user charges.

## *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Funds, 2) the Special Revenue Funds, such as Road use Tax and Local Option Sales Tax, 3) the Debt Service Funds and 4) the Capital Projects Fund.

The governmental fund financial statements provide a detailed, short-term view of the City's general government 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 City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. He City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for the proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$786,535 to \$989,101. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

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Changes in Cash Basis Net Assets of Governmental Activities

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	Year ended June 30, <u>2007</u>
Receipts:	
Program receipts:	
Charges for service	\$ 174,782
General receipts:	
Property tax	496,017
TIF revenues	509,359
Local option sales tax	183,312
Unrestricted interest on investments	16,748
Other general receipts	<u>1,025,787</u>
Total receipts	<u>2,406,005</u>
 Disbursements:	
Public safety	262,120
Public works	298,439
Culture and recreation	286,380
Community and economic development	62,450
General government	151,097
Debt service	433,800
Capital projects	<u>709,153</u>
Total disbursements	<u>2,203,439</u>
 Increase in cash basis net assets	 202,566
 Cash basis net assets beginning of year	 <u>786,535</u>
 Cash basis net assets end of year	 <u><u>\$ 989,101</u></u>

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, <u>2007</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 355,720
Sewer	<u>192,496</u>
Total receipts	<u>548,216</u>
Disbursements:	
Water	320,310
Sewer	<u>215,949</u>
Total disbursements	<u>536,259</u>
Increase in cash basis net assets	11,957
Other revenue and financing activities	629,564
Cash basis net assets beginning of year	<u>443,850</u>
Cash basis net assets end of year	<u><u>\$ 1,085,371</u></u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Hull completed the year, its governmental funds reported a combined fund balance of \$989,101, an increase of \$202,566 over last year's total of \$786,535. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Funds cash balance increased \$34,365 over the prior year to \$218,557. The increase is, in part, due to reduced spending during fiscal year 2007.
- The TIF Revenue cash balance increased \$183,142 to \$421,532 during the fiscal year. The increase is due to reduced spending and no planned improvement projects during fiscal year 2007.
- The Debt Service Fund cash balance decreased \$1,481 from the prior year's \$25,289 balance. This was not a significant decrease.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$650,991 to \$973,995, due primarily bond to financing for Lewis and Clark project.
- The Sewer Fund cash balance decreased \$16,095 to \$98,408, due primarily to reduced spending during the fiscal year.

## BUDGETRY HIGHLIGHTS

In March, 2007 the City did amend its budget. The City did not exceed the amount budgeted in the public safety, culture and recreation, general government and business type activities functions.

## DEBT ADMINISTRATION

At June 30, 2007, the City had \$3,866,000 in outstanding notes and other long-term debt outstanding, compared to \$3,686,000 last year, as shown below.

	Outstanding Debt at Year-end	
	June 30,	
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$2,705,000	\$2,525,000
Water Improvements	610,000	610,000
Sewer Improvements	<u>551,000</u>	<u>583,000</u>
Total	<u>\$3,866,000</u>	<u>\$3,108,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,705,000 is well below its constitutional debt limit of \$4,209,961.

## ECONOMIC FATORS AND NEXT YEAR'S BUDGET AND RATES

Several factors were considered when formulating the FY 2008 budget:

- The FY2008 budget contains receipts totaling \$3,161,560 and disbursements totaling \$3,277,725.
- The FY2008 levy is \$8.10 per \$1,000 of taxable valuation, the same as in FY2007. However, this maximum levy is not supporting the City's general operating expenses. The City levied the amounts necessary for insurance, totaling approximately \$45,000, and other employee benefits, totaling approximately \$34,400.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dwayne Bonestroo, City Clerk PO Box 816, Hull, Iowa 51239-0816.

## **Basic Financial Statements**

City of Hull

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$262,120	\$ 41,460	\$ 14,160	
Public works	298,439	84,104	185	
Culture and recreation	286,380	44,789	95,849	
Community and economic development	62,450			
General government	151,097			
Debt service	433,800			
Capital projects	<u>709,153</u>			<u>\$ 690,374</u>
Total governmental activities	<u>2,203,439</u>	<u>170,353</u>	<u>110,194</u>	<u>690,374</u>
Business type activities:				
Water	320,310	355,720		
Sewer	<u>215,949</u>	<u>192,496</u>		
Total business type activities	<u>536,259</u>	<u>548,216</u>		
Total	<u>2,739,698</u>	<u>718,569</u>	<u>110,194</u>	<u>690,374</u>
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
TIF				
Other city taxes				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Financing				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Debt service				
Sinking Fund				
Unrestricted				
<b>Total cash basis net assets</b>				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
----------------------------------------------------------------------	--	--

Governmental Activities	Business Type Activities	Total
\$ (206,500)		\$ (206,500)
(214,150)		(214,150)
(145,742)		(145,752)
(62,450)		(62,450)
(151,097)		(151,097)
(433,800)		(433,800)
<u>(18,779)</u>		<u>(18,779)</u>
<u>(1,232,518)</u>		<u>(1,232,518)</u>
	\$ 35,410	35,410
	<u>(23,453)</u>	<u>(23,453)</u>
	<u>11,957</u>	<u>11,957</u>
	<u>11,957</u>	<u>11,957</u>
348,892		348,892
147,425		147,425
509,359		509,359
2,337		2,337
183,312		183,312
16,748		16,748
40,106	15,768	55,874
<u>186,905</u>	<u>613,796</u>	<u>800,701</u>
<u>1,435,084</u>	<u>2,064,648</u>	<u>2,064,648</u>
202,566	641,521	844,087
<u>786,535</u>	<u>443,850</u>	<u>1,230,385</u>
<u>\$ 989,101</u>	<u>\$1,085,371</u>	<u>\$2,074,472</u>
23,808		23,808
	56,001	
<u>965,293</u>	<u>1,029,370</u>	<u>1,994,663</u>
<u>\$989,101</u>	<u>\$1,085,371</u>	<u>\$2,074,472</u>

City of Hull

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue	
	General	Tax Investment Financing
Receipts:		
Property tax	\$ 307,493	
TIF Revenues		\$509,359
Other city tax	184,953	
Licenses and permits	7,668	
Use of money and property	30,424	
Intergovernmental	287,702	
Charges for service	174,782	
Special Assessments		
Miscellaneous	(189,984)	
Bond Sale, other financing	<u>431,047</u>	
Total receipts	<u>1,234,085</u>	<u>509,359</u>
Disbursements:		
Operating:		
Public safety	(259,913)	326,217
Public works	290,093	
Culture and recreation	266,280	
Community and economic development	62,450	
General government	143,546	
Debt service		
Capital Project		
Total disbursements	<u>502,456</u>	<u>326,217</u>
Excess (deficiency) of receipts over (under) disbursements	<u>731,629</u>	<u>183,142</u>
Other financing sources (uses):		
Operating transfers in		
Operating transfers out	<u>(697,264)</u>	
Total other financing sources (uses)	<u>(697,264)</u>	
Net change in cash balances	34,365	183,142
Cash balances beginning of year	<u>184,192</u>	<u>238,390</u>
Cash balances end of year	<u>\$ 218,557</u>	<u>\$421,532</u>
<b>Cash Basis Fund Balances</b>		
Reserved for debt service		
Unreserved:		
General fund	\$ 218,557	
Special revenue funds		\$421,532
Capital projects fund		
Total cash basis fund balances	<u>\$ 218,557</u>	<u>\$421,532</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
\$147,425	\$ 41,099	\$496,017
		509,359
505	191	185,649
		7,668
2,284		32,708
		287,702
		174,782
15,888		15,888
	384,483	194,499
	501,733	932,780
166,102	927,506	2,837,052
	195,816	262,120
	8,346	298,439
	20,100	286,380
		62,450
	7,551	151,097
433,800		433,800
	709,153	709,153
433,800	940,966	2,203,439
267,698	(13,460)	633,613
266,217		266,217
		(697,264)
266,217		(431,047)
(1,481)	(13,460)	202,566
25,289	338,664	786,535
\$23,808	\$325,204	\$989,101
\$23,808		\$23,808
		218,557
	\$261,351	682,883
	63,853	63,853
\$23,808	\$625,204	\$989,101

City of Hull

Statement of Cash Receipts, Disbursements  
And Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise			
	Water	Sewer	Utility Dept	Total
Operating receipts:				
Charges for service	\$355,720	\$192,496		\$548,216
Miscellaneous	<u>615,581</u>	<u>7,358</u>	<u>\$ 6,625</u>	<u>629,564</u>
Total operating receipts	971,301	199,854	6,625	1,177,780
Operating disbursements:				
Business type activities	<u>314,065</u>	<u>215,949</u>	<u>6,245</u>	<u>536,259</u>
Net change in cash balances	657,236	(16,095)	380	641,521
Cash balances beginning of year	<u>316,760</u>	<u>114,803</u>	<u>12,287</u>	<u>443,850</u>
Cash balances end of year	<u>973,996</u>	<u>98,708</u>	<u>12,667</u>	<u>1,085,371</u>
<b>Cash Basis Fund Balances</b>				
Reserved for sinking fund	56,001			56,001
Unreserved	<u>917,995</u>	<u>98,708</u>	<u>12,667</u>	<u>1,0291,370</u>
Total cash basis fund balances	<u>\$ 973,996</u>	<u>\$ 98,708</u>	<u>\$ 12,667</u>	<u>\$1,085,371</u>

See notes to financial statements

## City of Hull

### Notes to Financial Statements

June 30, 2007

#### (1) Summary of Significant Accounting Policies

The City of Hull is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1835 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

##### A. Reporting Entity

For financial reporting purposes, City of Hull has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Hull (the primary government) with no component units.

##### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Area Solid Waste Agency, Sioux County Communications Commission, Lewis and Clark Rural Water Systems and Northwest Iowa Housing Commission.

City of Hull

Notes to Financial Statements

June 30, 2007

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Hull

Notes to Financial Statements

June 30, 2007

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the 40% of the dollars collected for infrastructure improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Hull maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Hull

Notes to Financial Statements

June 30, 2007

Under the terms grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by generally receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants of improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

City of Hull

Notes to Financial Statements

June 30, 2007

**(3) Notes Payable**

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 360,000	\$111,883	\$ 471,883
2009	370,000	97,763	466,763
2010	400,000	80,868	480,868
2011	340,000	61,832	401,832
2012	330,000	46,972	376,972
Thereafter	905,000	74,607	979,607
	<u>\$2,705,000</u>	<u>\$472,925</u>	<u>\$3,177,925</u>

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.7% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$16,189, equal to the required contribution for the year.

City of Hull

Notes to Financial Statements

June 30, 2007

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2007, primarily relating to the General Fund, is \$6,033. This liability has been computed based on rates of pay in effect at June 30, 2007.

**(6) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the year ended June 30, 2007.

**(7) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation for these standards had no effect on the beginning balances of the City.

**City of Hull**

## **Required Supplementary Information**

City of Hull

Budgetary Comparison Schedule  
Of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 496,017	
TIF tax	509,359	
Other City tax	185,649	
Licenses and permits	7,668	\$ 150
Use of money and property	32,708	16,328
Intergovernmental	287,702	
Charges for service	174,782	548,216
Special assessments	15,888	
Miscellaneous	194,499	12,139
Other financing source	<u>932,780</u>	<u>600,947</u>
Total receipts	<u>2,837,052</u>	<u>1,177,780</u>
Disbursements:		
Public safety	262,120	
Public works	298,439	
Culture and recreation	286,380	
Community and economic development	62,450	
General government	151,097	
Debt service	433,800	
Capital projects	709,153	
Business type activities		<u>536,259</u>
Total disbursements	<u>2,203,439</u>	<u>536,259</u>
Other financing uses, including transfers out	<u>431,047</u>	
Excess (deficiency) of receipts Over (under) disbursements	202,566	641,521
Balances beginning of year	<u>786,535</u>	<u>443,850</u>
Balances end of year	<u>\$ 989,101</u>	<u>\$1,085,371</u>

See accompanying independent auditor's report.

Total	<u>Budgeted Amounts</u>		Final to Total Variance
	Original	Final	
\$ 496,017	\$ 484,522	\$ 484,522	\$ 11,495
509,359	517,380	517,380	(8,021)
185,649	173,290	190,290	(4,641)
7,818	8,200	8,250	(432)
49,036	34,400	40,060	8,976
287,702	201,981	264,220	23,482
722,998	673,300	707,300	15,698
15,888	16,150	16,150	(262)
206,638	166,700	794,254	(587,616)
<u>1,533,727</u>	<u>666,225</u>	<u>786,507</u>	<u>747,220</u>
<u>4,014,832</u>	<u>2,942,148</u>	<u>3,808,933</u>	<u>205,889</u>
262,120	271,800	275,000	(12,880)
298,439	303,700	316,550	(18,111)
286,380	317,500	320,900	(34,520)
62,450	61,000	76,000	(13,550)
151,097	161,700	172,400	(21,303)
433,800	433,810	433,810	(10)
709,153	500,000	709,180	(27)
<u>536,259</u>	<u>642,155</u>	<u>1,165,505</u>	<u>(629,246)</u>
<u>2,739,698</u>	<u>2,691,665</u>	<u>3,469,345</u>	<u>(729,647)</u>
<u>431,047</u>	<u>266,225</u>	<u>284,707</u>	<u>146,340</u>
844,087	(15,742)	54,881	789,206
<u>1,230,385</u>	<u>855,517</u>	<u>1,230,385</u>	<u>          </u>
<u>\$ 2,074,472</u>	<u>\$ 839,775</u>	<u>\$ 1,285,266</u>	<u>\$ 789,206</u>

City of Hull

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The City did amend its budget during the year ended June 30, 2007.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

## **Other Supplementary Information**

City of Hull

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue		
	Employee Trust Benefits	Road Use Tax	Fund
Receipts:			
Property tax	\$41,099		
Other city tax	191		
Miscellaneous	293	\$163,356	\$17,058
Bond sale			
Disbursements:			
Operating			
Public safety		195,816	
Public works	8,346		
Culture and recreation	15,376		4,724
General government	7,551		
Capital projects			
Total disbursements	<u>31,273</u>	<u>195,816</u>	<u>4,724</u>
Net change in cash balances	10,310	(32,460)	12,334
Cash balances beginning of year	<u>44,999</u>	<u>138,198</u>	<u>87,970</u>
Cash balances end of year	<u>55,309</u>	<u>105,738</u>	<u>100,304</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	55,309	105,738	100,304
Capital projects fund			
Total cash basis fund balances	<u>\$55,309</u>	<u>\$105,738</u>	<u>\$100,304</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>			
<u>2006 Street Construction</u>	<u>Sewer Construction</u>	<u>Library Construction</u>	<u>Total</u>
			\$ 41,099
			191
\$144,980		\$58,796	384,483
<u>501,733</u>			<u>501,773</u>
<u>646,713</u>		<u>\$58,796</u>	<u>927,506</u>
			195,816
			8,346
			20,100
			7,551
<u>690,374</u>		<u>18,779</u>	<u>709,153</u>
<u>690,374</u>		<u>18,779</u>	<u>940,966</u>
(43,661)		40,017	(13,460)
<u>43,599</u>	<u>\$543</u>	<u>23,355</u>	<u>338,664</u>
<u>(62)</u>	<u>543</u>	<u>63,372</u>	<u>325,204</u>
			261,351
<u>(62)</u>	<u>543</u>	<u>63,372</u>	<u>63,853</u>
<u>\$ (62)</u>	<u>\$543</u>	<u>\$63,372</u>	<u>\$325,204</u>

City of Hull

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street improvement	Oct 1, 1997	4.4 to 5.3%	\$ 800,000
Street improvement	Mar 1, 2001	4.5 to 5.2	365,000
Street improvement	Feb 1, 2000	4.8 to 5.5	215,000
Professional Building/street	Feb 1, 2002	3.0 to 4.9	610,000
Street improvement	Apr 1, 2003	1.6 to 3.9	545,000
Street/sewer improvement	Jul 1, 2006	3.85 to 4.4	510,000
Library/street/sewer improvement	Jul 1, 2005	2.9 to 4.0	1,325,000
Total			
Revenue notes:			
Water	May 1, 2007	3.85 to 4.4	610,000
Sewer	Nov 8, 2000	3.92	750,000
Total			

See accompanying independent auditor's report.

Balance Beginning of year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 320,000		\$ 75,000	\$ 245,000	\$ 16,613
205,000		35,000	170,000	10,468
100,000		25,000	75,000	5,388
400,000		60,000	340,000	18,473
260,000		35,000	225,000	8,715
	\$510,000		510,000	19,729
1,240,000		100,000	1,140,000	44,145
<u>\$2,525,000</u>	<u>\$510,000</u>	<u>\$330,000</u>	<u>\$2,705,000</u>	<u>\$123,531</u>
\$ 610,000			\$ 610,000	
583,000		\$ 32,000	551,000	\$ 22,854
<u>\$1,193,000</u>		<u>\$ 32,000</u>	<u>\$1,161,000</u>	<u>\$ 22,854</u>

City of Hull  
 Bond and Note Maturities  
 June 30, 2007

General Obligation Bonds						
Year Ending June 30,	<u>Street Improvement Issued Oct 1, 1997</u>		<u>Street Improvement Issued March 1, 2001</u>		<u>Street Improvement Issued Feb 1, 2000</u>	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	5.15%	\$ 80,000	5.05%	\$ 40,000	5.35%	\$ 25,000
2009	5.25%	80,000	5.10	40,000	5.40	25,000
2010	5.30%	85,000	5.15	45,000	5.50	25,000
2011			5.20	45,000		
2012						
2013						
2014						
2015						
2016						
2017						
Total		<u>\$ 245,000</u>		<u>\$ 170,000</u>		<u>\$ 75,000</u>

Revenue Notes					
Year Ending June 30,	<u>Water Issued May 1, 2007</u>		<u>Sewer Issued Nov 8, 2000</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.85	\$ 30,000	3.92%	\$ 33,000	
2009	3.85	30,000	3.92	35,000	
2010	3.85	35,000	3.92	36,000	
2011	4.00	35,000	3.92	37,000	
2012	4.00	35,000	3.92	39,000	
2013	4.00	35,000	3.92	40,000	
2014	4.15	40,000	3.92	42,000	
2015	4.15	40,000	3.92	44,000	
2016	4.15	40,000	3.92	45,000	
2017	4.25	45,000	3.92	47,000	
2018	4.25	45,000	3.92	49,000	
2019	4.25	45,000	3.92	51,000	
2020	4.40	50,000	3.92	53,000	
2021	4.40	50,000			
2022	4.40	55,000			
Total		<u>\$610,000</u>		<u>\$551,000</u>	

See accompanying independent auditor's reports.

<u>Professional Building</u> <u>Issued Feb 1, 2002</u>		<u>Street Improvement</u> <u>Issued Apr 1, 2003</u>		<u>Street Improvement</u> <u>Issued Jul 1, 2005</u>		<u>Street/Sewer Improvement</u> <u>Issued Jul 1, 2006</u>		
<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Total</u>
4.40%	\$ 60,000	2.95%	\$ 35,000	3.2%	100,000	3.85%	\$ 20,000	\$ 360,000
4.55	65,000	3.15	35,000	3.3	105,000	3.90	20,000	370,000
4.70	70,000	3.35	35,000	3.4	110,000	4.00	30,000	400,000
4.80	70,000	3.55	40,000	3.5	150,000	4.10	35,000	340,000
4.90	75,000	3.75	40,000	3.6	155,000	4.15	60,000	330,000
		3.90	40,000	3.7	160,000	4.20	65,000	265,000
				3.8	170,000	4.25	65,000	235,000
				3.9	170,000	4.30	70,000	240,000
				4.0	20,000	4.35	70,000	90,000
						4.40	75,000	75,000
	<u>\$ 340,000</u>		<u>\$ 225,000</u>		<u>\$ 1,140,000</u>		<u>\$ 510,000</u>	<u>\$ 2,705,000</u>

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hull, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 24, 2007. Our report on the financial statements, which were prepared in conformity with another comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hull's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Hull's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hull's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of non compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations of the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Hull and other parties to whom City of Hull may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hull during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Le Mars, Iowa  
December 24, 2007

City of Hull

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (4) Disbursements – purchasing, check signing, recording and reconciling.
- (5) Payroll – preparing and distributing.
- (6) Transfers – recording and reconciling
- (7) Financial reporting – preparing, reconciling and distributing.
- (8) Accounting system – performing all general accounting functions and having custody of City assets.
- (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

Recommendation – we realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – The Council will become more involved on committees and will review reports for approval prior to Council meetings.

Conclusion – Response accepted.

City of Hull

Schedule of Findings

Year ended June 30, 2007

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found which we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Annual Financial Report – The City did file the annual financial report for the fiscal year ended June 30, 2007. Chapter 384.22 of the Code of Iowa requires the report be filed with the Auditor of State not later than December 1 of each year.

City of Hull

Schedule of Findings

Year ended June 30, 2007

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Hull

Staff

This audit was performed by:

Rex E. Knapp, CPA, Partner  
Robert J. Kroese, CPA, Partner