CITY OF HAMILTON, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2022

CITY OF HAMILTON, TEXAS
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YEAR ENDED SEPTEMBER 30, 2022

Boucher, Morgan and Young, a P.C.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and members
of the City Council
City of Hamilton, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Hamilton, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I to the basic financial statements, during the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System pension schedules, Texas Municipal Retirement System OPEB schedule, and budgetary comparison information presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Boucher, Morgan & Young

Stephenville, Texas
June 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HAMILTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hamilton (the City), we offer the readers of the City's financial statements this narrative overview, management discussion and analysis (MD&A) of our financial activities for the year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Hamilton is located in the center of Hamilton County (both were named after South Carolina Governor James Hamilton), situated in the Pecan Creek Valley in Central Texas, at the intersection of U.S. Highway 281 and State Highway 36. Although Hamilton is located in a sparsely populated region of the state, it is near three metropolitan areas: 70 miles west of Waco, 100 miles West-southwest of Fort Worth, and 115 miles northwest of Austin. Hamilton was designated as the county seat when it was founded in 1858. Unlike many communities that were established solely as railroad stops, Hamilton did not receive rail service until 1908, by which time it boasted a population of over 1,400. Hamilton grew through the early 20th Century and at one time supported five cotton gins. By 1950 Hamilton's population reached 3,000. A population decline throughout the 1950's and 1960's can be attributed to the termination of rail service, a flood in the 1950's, and changing farm patterns. There was significant growth in the 1970's, and the population of Hamilton reached 3,189. The economic downturn of the next decade led to another decline in population. By 1990 Hamilton reported 2,937 residents. The 2010 census documented a population increase of 158 people. As people have learned to work from home through the Covid years of 2020 and 2021, Hamilton, being a rural community with fiber internet, has become a more desirable location from which to do business. The population of Hamilton would seem to increase, but due to the lack of industry and prices of goods and services in rural towns, being higher in some cases, the Census from 2010 to 2020 declined by exactly 200 people. An attraction to living outside the city limits is the offering of land in 10-acre plots as ranchers and farmers sell off their land. Individuals and families have seized the opportunity to become mini ranchers and farmers. On these plots close to town, they are less restricted by local government but they can enjoy the nearby benefits of purchasing supplies and having amenities such as parks, a library, schools, civic theater, law enforcement, fire protection, and an airport that Hamilton has to offer. The City was incorporated in 1909, and is a General Law Type A municipality. Policymaking and legislative authorities are vested in a governing body consisting of a mayor and five council members. The council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator. The administrator is responsible for carrying out policies and ordinances of the governing body, for overseeing the day-to-day operations of the City, and for appointment of all other employees. The mayor and all of the council members are elected at large and do not represent any one district. The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit request for appropriation to the City Administrator. The Administrator uses these requests as the starting point for developing a proposed budget. The Mayor presents this budget to the Council for review in July. The budget is modified by Council and is adopted by no later than September 30, the close of the fiscal year. No purchase over the appropriated amount budgeted may be made without approval of the Council. Budget-to-actual comparisons are provided for Council review each month. The City provides a full range of services including streets, sanitation, police protection, fire protection, recreational facilities, and other infrastructure within the City. Water and wastewater services are provided as a department of the City and therefore have been included as an integral part of the financial statements. The City is also financially accountable for a legally separate economic development corporation, which is reported discretely within the financial statements.

Waste Connections provides sanitation services to the City. The sanitation contract is for five years which expires December 31, 2024. The City renewed the contract with Waste Connections for five years beginning January 1, 2022.

The availability of adequate water supply and delivery is vital to any community's life and growth. The average citizen expects water to be available, good quality and in the quantity desired. Response to these demands requires considerable planning, effort, and investment in infrastructure. The City presently utilizes surface water from Lake Proctor which is treated by the Upper Leon River Municipal Water District to provide potable water for approximately 1,500 services within the City and 600 gallons per minute (gpm) to the Multi-County Water Supply Corporation (MCWSC). The City has one (1) ground storage reservoir, two (2) elevated tanks, and one (1) standpipe. The City's water system is divided in two (2) pressure planes with the upper plane being served by one (1) in-line booster station and the standpipe at Fair Park.

The City operates and maintains its entire wastewater system. A wastewater system must provide for the collection of waste from the residential and commercial sections of the City. The existing wastewater collection system that serves the City of Hamilton has been in service for many years and has been extended as necessary. The system consists mainly of vitrified clay tile (V.C.T.) sewer pipe with newer lines being PVC. Pipe sizes range in diameter from 6" up to 16," but consist mainly of 6" and 8" lines. Depth of the collection system ranges from 1' to approximately 16' depth with a medium depth of 5' to 7' in a majority of the lines. The 16" trunk sewer extends from the wastewater plant toward the City southward along Pecan Creek to Whitney Street. The majority of lines in the collection system have sufficient grades to maintain self-cleaning velocities. These lines are in "relatively" good condition. The City's wastewater collection system contains three (3) lift stations. All three (3) stations are with submersible pumps and have been constructed within the last 20 years. They are located at Jones and Elm Streets in the southeast corner of the City, at the north end of Navajo Trail in Indian Oaks and at the Wastewater Plant site. These stations are in relatively good condition and therefore no improvements to them are suggested. The manholes in the system and old clay pipe take in a large amount of water during periods of high rainfall. The existing Hamilton WWTP consists of an influent screening unit, and influent flow measurement (Parshall Flume), a grit basin, a raw water lift station, an oxidation ditch (aeration basin), two (2) final clarifiers, beltpress and sludge drying beds. The existing facility was constructed in 1990 and expanded in 2009. The facility does not treat any industrial waste, and therefore does not have any special treatment facilities. The WWTP is permitted for 620,000 gallons per day.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to 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 only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, highway and streets, public safety, airport, sanitation, cultural and recreation and library. The business-type activities of the City include water and wastewater.

The government-wide financial statements include not only the City (the primary government) but also the legally separate Hamilton Economic Development Corporation (HEDC) (the component unit). Financial information for HEDC is reported separately from the financial information reported for the City of Hamilton. The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements. 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Improvements Fund, both of which are considered to be major funds.

The City adopts an annual legally appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds. The City maintains one proprietary fund, the Water and Sewer Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise fund to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 19-23 of this report.

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 can be found on pages 25-47 of this report.

Financial Highlights

The City's assets exceeded its liabilities at the close of September 30, 2022 by $7.1 million of which $4.0 million is invested in the capital assets, net of related debt. The governmental activities comprised $3.6 million and the business-type activities comprised $3.5 million of the total net position.

The overall increase in the City's net position for the year ended September 30, 2022 was $279 thousand.

City's Financial Analysis

Comparative information between the current year and the prior year is presented below.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	$ 2,172,351	$ 1,944,100	$ 2,592,087	$ 2,063,496	$ 4,764,438	4007596.08
Capital Assets	2,269,026	2,379,280	4,682,440	4,995,460	6,951,466	7374740
Total Assets	4,441,377	4,323,380	7,274,527	7,058,956	11,715,904	11,382,336
Deferred Outflows	132,741	121,429	81,572	84,642	214,313	206,071
Total Assets and Deferred Outflows	4,574,118	4,444,809	7,356,099	7,143,598	11,930,217	11,588,407
Current Liabilities	211,596	195,990	1,357,478	990,896	1,569,074	1,186,886
Non-Current Liabilities	562,130	680,325	2,432,019	2,809,328	2,994,149	3,489,653
Total Liabilities	773,726	876,315	3,789,497	3,800,224	4,563,223	4,676,539
Deferred Inflows	202,534	79,693	87,917	34,596	290,451	114,289
Net Investment in Capital Assets	1,706,896	2,217,687	1,946,246	2,567,536	3,653,142	4,785,223
Restricted:						
Water and Sewer Infrastructure Fee	-	-	114,243	-	114,243	-
Court Technology	35,665	29,815	-	-	35,665	29,815
Airport Maintenance	39,113	-	-	-	39,113	-
Cemetery Maintenance	127,269	150,444	-	-	127,269	150,444
Capital Improvement	1,702	1,690	-	-	1,702	1,690
Unrestricted	1,687,213	1,089,165	1,418,196	741,242	3,105,409	1,830,407
Total Net Position	$ 3,597,858	$ 3,488,801	$ 3,478,685	$ 3,308,778	$ 7,076,543	$ 6,797,579

CITY OF HAMILTON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Fines, Fees, and Charges for Services	$ 1,089,671	$ 953,293	$ 3,394,333	2,887,504	$ 4,484,004	3,840,797
Operating Grants						
and Contributions	471,289	28,029	-	-	471,289	28,029
Capital Grants						
and Contributions	-	-	4,640	303,038	4,640	303,038
General Revenue:						
Property Taxes	935,455	897,954	-	-	935,455	897,954
Sales Tax	884,480	774,951	-	-	884,480	774,951
Franchise Taxes	157,096	153,088	-	-	157,096	153,088
Other Taxes	27,819	25,841	-	-	27,819	25,841
Investment Earnings	16,218	8,837	5,968	6,343	22,186	15,180
Miscellaneous	219,792	281,005	-	-	219,792	281,005
Total Revenues	3,801,820	3,122,998	3,404,941	3,196,885	7,206,761	6,319,883
Expenses:						
General Government	402,648	349,708	-	-	402,648	349,708
Public Safety	841,788	718,115	-	-	841,788	718,115
Highways and Streets	393,898	482,957	-	-	393,898	482,957
Airport	755,897	279,675	-	-	755,897	279,675
Sanitation	512,779	477,441	-	-	512,779	477,441
Culture and Recreation	333,969	267,728	-	-	333,969	267,728
Library	20,003	20,000	-	-	20,003	20,000
Economic Development	424,486	344,780	-	-	424,486	344,780
Interest on Debt	7,295	7,683	-	-	7,295	7,683
Water and Sewer	-	-	3,235,034	3,076,533	3,235,034	3,076,533
Total Expenses	3,692,763	2,948,087	3,235,034	3,076,533	6,927,797	6,024,620
Change in Net Position						
Before Transfers	109,057	174,911	169,907	120,352	278,964	295,263
Transfers	-	7,711	-	(7,711)	-	-
Change in Net Position	109,057	182,622	169,907	112,641	278,964	295,263
Net Position, Beginning	3,488,801	3,306,179	3,308,778	3,196,137	6,797,579	6,502,316
Net Position, Ending	$ 3,597,858	$ 3,488,801	$ 3,478,685	$ 3,308,778	$ 7,076,543	$ 6,797,579

The government's net position increased by $279 thousand during the fiscal year, compared to the prior year increase of $295 thousand. Business-type activities increased the City's net position by $170 thousand compared to an increase in the prior year of $113 thousand.

General, Utility and Airport Fund Budgetary Highlights

The City's General Fund operated with an original revenue budget of $3,003,609 and a final budget of $3,248,085. The total expenses and other uses of the General Fund were $487,185 more than final budgeted expenditures for the year and actual revenues were $546,706 more than final budgeted revenues for the year. The General Fund experienced an increase in fund balance totaling $202,984 for the year. The City Council made two revisions to the budget approved for fiscal year 2022. The first revision included General, Water & Sewer and Airport Funds. The General Fund showed an increase of $162,161 due to increases in sales tax and miscellaneous revenue. The increase was offset by higher cost for Economic Development Corporation sales tax, windows for City Hall, general fund salaries, municipal court, code enforcement/permitting, and police. The Water & Sewer Fund was amended to show an increase in water sales plus the use of reserve money from the discretionary fund. The increase in revenue was absorbed by an increase in expenditure to water purchasing and wastewater plant maintenance. Thirty-five thousand seven hundred and fifty dollars was pulled from excess airport revenue made by fuel sales to cover the cost of 100LL fuel and increased maintenance costs. The second revision to the budget for fiscal year 2022 was to the General Fund only and included an increase to revenue of $47,265 from sales tax and miscellaneous income and covered a budget increase in solid waste, EDC sales tax, administration, code permitting/legal notices, and EDC salaries.

In the 2021-2022 Budget, City property taxes were increased by 3.4% with the voter-approval tax rate of .5653. This increase is used to continue providing excellent services in law enforcement and to improve our streets department with more equipment and supplies. Approximately $90,000 a year is also diverted from the water payments garnishing five dollars per connection per month to a discretionary fund in a TexPOOL investment. This discretionary fund is used primarily for street improvement as well as water and sewer line repairs.

In grant funding the City received the second traunch of the $746,331.28 in September for Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act. The first half was received in August of 2021. A third payment of $737.49 was received on March 10, 2022. The total received for the CSLFRF was $747,806.26. This funding will be used for water and sewer infrastructure improvements. The City's 10% ($48,900) portion of the $489,000.00 airport runway and taxiway P-631 surface treatment was paid for in the 2020 budget year; however, the work was completed November 2023. The final payment of $30,279.00 was paid on the fuel system at the airport freeing up money to pay the City's portion for additional hangars. In FY2022, the City has continued building on the street program, where we have focused our equipment and manpower. Early in 2022, the City planned to purchase a CAT 420 Backhoe, which is much needed street equipment to help move the City to a more self-sufficient form of street repair. The Backhoe arrived just after the budget year ended. Also occurring this budget year was the Preparing of an Emergency Preparedness Plan in order to ensure water pressure over 20 psi for residents in the event of a power failure which included the application for $450,000 in generators at the water plant. The Police department was able to purchase a new Tahoe vehicle for $52,744. The City purchased a new tractor for the wastewater plant. And finally, the City invested money in legal proceedings to work on a deed revision for the Hamilton City Lake ownership.

Economic Factors and Next Year's Budget and Rates

In the 2022-2023 budget, General Fund revenues and transfers in are budgeted to decrease by $202,976.00 from budget year 2021-2022 largely due to a reduction in reserve spending and miscellaneous income. The property tax total net taxable value increased by 20.3% from FY2022 to FY2023.

In this climate the property tax rate can be lowered even after applying the voter-approval rate to help the City's revenue attempt to keep up with inflation. During the 2022-2023 Fiscal Year, the City will begin work on a grant to plan the building of new airport hangars. Also in the coming fiscal year, the City will continue building on the street program by adding equipment in the budget. Since Street conditions is of the highest concern for our citizens according to the 2022 Citizen Survey, the budget focus needs to be on equipment and manpower for the street department. The purchases of equipment in FY2022 have helped to move the City to a more self-sufficient form of street repair.

Capital Asset and Debt Administration

Over many years, the City has invested $25 million in capital assets, which, net of accumulated depreciation has a book value of $7 million in a broad range of capital assets, including firetrucks, early warning system, buildings, airport facilities, park facilities, roads, bridges, water and sewer lines.

Contacting the City's Financial Management

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City. Credit goes to City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hamilton's finances. This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Administrator, 200 E Main, Hamilton, TX 76531, or by telephone 254-386-8116.

BASIC FINANCIAL STATEMENTS

CITY OF HAMILTON, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Cash and Investments	$ 1,682,782	$ 1,935,129	$ 3,617,911	$ 860,553
Receivables, Net of Allowance of $325,766 Governmental Activities and $113,422 Business-Type Activities	131,746	437,935	569,681	-
Taxes Receivable, Net of Allowance of $26,551	35,194	-	35,194	-
Intergovernmental Receivable	159,695	-	159,695	53,232
Other Assets	-	2,545	2,545	900
Restricted Assets:				
Cash and Investments	162,934	216,478	379,412	-
Notes Receivable	-	-	-	37,500
Capital Assets (Net of Accumulated Depreciation):				
Land and Improvements	274,875	17,578	292,453	67,500
Buildings	-	12,325	12,325	3,232
Airport	835,400	-	835,400	-
Park Improvements	218,544	-	218,544	-
Equipment	447,571	41,659	489,230	7,111
Equipment Under Financed Purchase	38,924	-	38,924	-
Motor Vehicles	-	51,229	51,229	-
Infrastructure	453,712	4,559,649	5,013,361	-
Total Assets	4,441,377	7,274,527	11,715,904	1,030,028
DEFERRED OUTFLOWS:				
Deferred Loss on Refunding	-	23,950	23,950	-
Related to the TMRS pension	120,338	52,237	172,575	-
Related to the TMRS OPEB	12,403	5,385	17,788	-
	132,741	81,572	214,313	-
Total Assets and Deferred Outflows	4,574,118	7,356,099	11,930,217	1,030,028
LIABILITIES:				
Accounts Payable and Other Current Liabilities	207,287	176,445	383,732	7,536
Accrued Interest Payable	4,309	27,555	31,864	-
Unearned Revenue-Grant	-	747,068	747,068	
Customer Deposits	-	102,235	102,235	-
Noncurrent Liabilities:				
Long-term Debt Due Within One Year	100,768	304,175	404,943	-
Long-term Debt Due in More than One Year	461,362	2,432,019	2,893,381	-
Total Liabilities	773,726	3,789,497	4,563,223	7,536
DEFERRED INFLOWS:				
Related to the TMRS pension	202,534	87,917	290,451	-
Total Liabilities and Deferred Inflows	976,260	3,877,414	4,853,674	-
NET POSITION				
Net Investment in Capital Assets	1,706,896	1,946,246	3,653,142	-
Restricted For:				
Water and Sewer Infrastructure Fee	-	114,243	114,243	-
Court Technology	35,665	-	35,665	-
Airport Maintenance	39,113	-	39,113	-
Cemetery Maintenance	127,269	-	127,269	-
Capital Improvement	1,702	-	1,702	
Economic Development	-	-	-	1,022,492
Unrestricted	1,687,213	1,418,196	3,105,409	-
Total Net Position	$ 3,597,858	$ 3,478,685	$ 7,076,543	$ 1,022,492

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	$ 402,648	$ 29,032	$ -	$ -	$ (373,616)	$ -	$ (373,616)	$ -
Public Safety	841,788	163,167	-	-	(678,621)	-	(678,621)	-
Highways and Streets	393,898	-	-	-	(393,898)	-	(393,898)	-
Airport	755,897	166,657	471,289	-	(117,951)	-	(117,951)	-
Sanitation	512,779	629,122	-	-	116,343	-	116,343	-
Culture and Recreation	333,969	14,920	-	-	(319,049)	-	(319,049)	-
Library	20,003	-	-	-	(20,003)	-	(20,003)	-
Economic Development and Assistance	424,486	86,773	-	-	(337,713)	-	(337,713)	-
Interest on Long-Term Debt	7,295	-	-	-	(7,295)	-	(7,295)	-
Total Governmental Activities	3,692,763	1,089,671	471,289	-	(2,131,803)	-	(2,131,803)	-
Business-type Activities:								
Water and Sewer	3,235,034	3,394,333	-	4,640	-	163,939	163,939	-
Total Business-Type Activities	3,235,034	3,394,333	-	4,640	-	163,939	163,939	-
Total Primary Government	$ 6,927,797	$ 4,484,004	$ 471,289	$ 4,640	(2,131,803)	163,939	(1,967,864)	-
COMPONENT UNIT:								
Economic Development Corporation	$ 243,360	$ -	$ 294,522	$ -				51,162
Taxes:								
Property					935,455	-	935,455	-
Sales					884,480	-	884,480	-
Franchise					157,096	-	157,096	-
Other					27,819	-	27,819	-
Investment Earnings					16,218	5,968	22,186	1,502
Miscellaneous					219,792	-	219,792	-
Total General Revenues and Transfers					2,240,860	5,968	2,246,828	1,502
Change in Net Position					109,057	169,907	278,964	52,664
Net Position - Beginning					3,488,801	3,308,778	6,797,579	969,828
Net Position - Ending					$ 3,597,858	$ 3,478,685	$ 7,076,543	$ 1,022,492

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General Fund	Capital Improvements Fund	Total Governmental Funds
ASSETS			
Assets:			
Cash and Investments	$ 1,681,080	$ 1,702	$ 1,682,782
Receivables, Net of Allowance of $21,522	92,711	-	92,711
Taxes Receivable, Net of Allowance of $26,551	35,194	-	35,194
Due from Other Governments	159,695	-	159,695
Other Assets	-	-	-
Restricted Assets:			
Cash and Investments	162,934	-	162,934
Total Assets and Other Debits	$ 2,131,614	$ 1,702	$ 2,133,316
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 120,638	$ -	$ 120,638
State Sales Tax Payable EDC	53,231	-	53,231
Accrued Liabilities Payable	33,418	-	33,418
Total Liabilities	207,287	-	207,287
Deferred Inflows:			
Deferred Property Taxes	35,194	-	35,194
Fund Balances:			
Restricted For:			
Court Technology	35,665	-	35,665.00
Airport Maintenance	39,113	-	39,113.00
Cemetery Maintenance	127,269	-	127,269
Capital Improvement	-	1,702	1,702
Unassigned	1,687,086	-	1,687,086
Total Fund Balance	1,889,133	1,702	1,890,835
Total Liabilities, Deferred Inflows, and Fund Balance	$ 2,131,614	$ 1,702	$ 2,133,316

CITY OF HAMILTON

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total fund balances - governmental funds balance sheet	$ 1,890,835
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	2,269,026
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	74,229
Long-term liabilities, including financed purchases, accrued compensated absences, notes payable and the related interest payable are not due and payable in the current period and therefore are not reported in the fund financial statements	(239,645)
Included in noncurrent liabilities is the recognition of the City's net pension liability in the amount of $ 232,432, a deferred resource outflow related to related to TMRS of $120,338 , and a deferred resource inflow related to TMRS of $202,534.	(314,628)
Included in noncurrent liabilities is the recognition of the City's net OPEB liability in the amount of $ 94,362, a deferred resource outflow related to the OPEB of $ 12,404, and a deferred resource inflow related to the OPEB of $ 0.	(81,959)
Net position of governmental activities	$ 3,597,858

CITY OF HAMILTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Capital Improvements Fund	Total Governmental Funds
REVENUE			
Taxes:			
General Property	$ 928,078	$ -	$ 928,078
General Sales and Use	884,480	-	884,480
Franchise	157,096	-	157,096
Other Taxes	27,819	-	27,819
License and Permits	33,749	-	33,749
Intergovernmental	471,289	-	471,289
Charges for Services	665,480	-	665,480
Component Unit Leased Employee Income	86,773	-	86,773
Fines	127,403	-	127,403
Investment Earnings	16,206	12	16,218
Rental Income	49,538	-	49,538
Other Revenues	346,880	-	346,880
Total revenues	3,794,791	12	3,794,803
EXPENDITURES			
Current:			
General Government	419,305	-	419,305
Public Safety	789,967	-	789,967
Highways and Streets	327,925	-	327,925
Airport	576,414	-	576,414
Sanitation	512,779	-	512,779
Culture and Recreation	288,352	-	288,352
Library	20,000	-	20,000
Economic Development and Assistance	424,486	-	424,486
Debt Service:			
Principal	130,506	-	130,506
Interest and Fiscal Charges	9,215	-	9,215
Capital Outlay	273,558	-	273,558
Total Expenditures	3,772,507	-	3,772,507
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,284	12	22,296
Other Financing Sources (Uses):			
Proceeds From Debt	180,700	-	180,700
Total Other Financing Sources (Uses)	180,700	-	180,700
Net Change in Fund Balances	202,984	12	202,996
Fund Balances - Beginning	1,686,149	1,690	1,687,839
Fund Balances - Ending	$ 1,889,133	$ 1,702	$ 1,890,835

CITY OF HAMILTON, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances - total governmental funds	$	202,996
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.		(110,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,729
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		(50,194)
Net pension and OPEB liabilities as well as the related deferred inflows and outflows of resources generated from those liabilities are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		57,017
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and recognitions is to increase net position.		1,763
Change in net position of governmental activities	$	109,057

CITY OF HAMILTON, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

	Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
Cash and Investments	$ 1,935,129
Receivables, Net of Allowance of $58,554	437,935
Other Assets	2,545
Total Current Assets	2,375,609
Noncurrent Assets:	
Restricted Cash and Investments:	
Water and sewer deposit and infrastructure fee	216,478
Capital Assets:	
Land	17,578
Building	25,500
Infrastructure	13,644,580
Machinery and Equipment	1,313,258
Vehicles	151,770
Less Accumulated Depreciation	(10,470,246)
Total Noncurrent Assets	4,898,918
Total Assets	7,274,527
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Loss on Refunding	23,950
Related to the TMRS Pension	52,237
Related to the TMRS OPEB	5,385
Total Deferred Outflows of Resources	81,572
Total Assets and Deferred Outflows of Resources	7,356,099

CITY OF HAMILTON, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

	Enterprise Fund Water and Sewer Fund
LIABILITIES:	
Current Liabilities:	
Accounts Payable	164,637
Other Current Liabilities	11,808
Accrued Interest Payable	27,555
Unearned Revenue-Grant	747,068
Long-Term Debt - Current	304,175
Total Current Liabilities	1,255,243
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	102,235
Total Current Liabilities Payable from Restricted Assets	102,235
Noncurrent Liabilities:	
Long-Term Debt - Due in More Than One Year	2,432,019
Total Noncurrent Liabilities	2,432,019
Total Liabilities	3,789,497
DEFERRED INFLOWS OF RESOURCES:	
Related to TMRS Pension	87,917
Total Liabilities and Deferred Inflows of Resources	3,877,414
NET POSITION:	
Net Investment in Capital Assets	1,946,246
Restricted for Water and Sewer Infrastructure Fee	114,243
Unrestricted	1,418,196
Total Net Position	$ 3,478,685

CITY OF HAMILTON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for Sales and Services:	
Water Sales	$ 2,465,575
Sewer Sales	695,896
Tap Fees	16,535
Other Services	216,327
Total Operating Revenues	3,394,333
OPERATING EXPENSES:	
Personnel Services - Salaries, Wages and Benefits	372,836
Other Purchased Services	168,081
Water and Chemicals Costs	1,564,088
Repairs and Maintenance	377,830
Depreciation	340,019
Utilities	125,823
Small Tools and Supplies	161,185
Total Operating Expenses	3,173,888
Operating Income	220,445
Non-operating Revenues (Expenses)	
Grant Revenue	4,640
Interest Revenue	5,968
Interest Expense	(61,146)
Total Non-operating Revenues (Expenses)	(50,538)
Change in Net Position	169,907
Net position - Beginning	3,308,778
Net position - Ending	$ 3,478,685

CITY OF HAMILTON

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 3,301,284
Cash Payments to Other Suppliers for Goods and Services	(2,545,052)
Cash Payments to Employees for Services	(336,620)
Net Cash Provided by Operating Activities	419,612
Cash Flows from Capital and Related Financing Activities:	
Principal Repayment on Debt	(294,259)
Interest and Fiscal Charges on Debt	(57,572)
Acquisition or Construction of Capital Assets	(26,999)
Proceeds from Capital Improvement Grant	378,543
Net Cash Provided by Capital and Related Financing Activities	(287)
Cash Flows from Investing Activities:	
Interest on Investments	5,968
Net Cash Provided by Investing Activities	5,968
Net Increase in Cash and Investments	425,293
Cash and Cash Investments at Beginning of Year	1,726,314
Cash and Investments at End of Year	$ 2,151,607

CITY OF HAMILTON

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2022

Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	$	220,445
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation and Bond Premium Amortization		332,425
Change in Assets, Liabilities, Deferred Inflows, and Deferred Outflows:		
Decrease (Increase) in Receivables		(103,298)
Decrease (Increase) in Deferred Outflows TMRS		(6,712)
Decrease (Increase) in Deferred Outflows OPEB		1,798
Increase (Decrease) in Accounts Payable		(13,821)
Increase (Decrease) in Accrued Expenses		(1,662)
Increase (Decrease) in Customer Deposits		10,249
Increase (Decrease) in Net Pension Liability		(74,840)
Increase (Decrease) in Deferred Inflows TMRS		53,321
Increase (Decrease) in Net OPEB Liability		1,676
Total Adjustments		199,136
Net Cash Provided by Operating Activities	$	419,581
Cash and investments		1,935,129
Restricted cash and investments		216,478
Total Cash		2,151,607

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The City of Hamilton , Texas (the City) was incorporated in 1909, under the provisions of the State of Texas. The City operates under a mayor-council form of government and provides the following services as authorized under general law: public safety (police and fire), highways and streets, sanitation, health, social services, culture and recreation and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the City are described below:

A. The Reporting Entity

The City's combined financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No 14, "The Financial Reporting Entity," as amended by GASB Statements No. 39 and 61, include whether:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on these criteria, the City of Hamilton has one component unit, the Hamilton Economic Development Corporation. The City of Hamilton is not a component unit of any other reporting entity as defined by the GASB Statement.

Included as part of the reporting entity:

The Hamilton Economic Development Corporation (the Corporation) is a component unit of the City of Hamilton. The Corporation was organized exclusively for the purpose of benefiting and accomplishing public purposes of the City. The Board of Directors is appointed by the City Council. The City Council may at its sole discretion change the structure, organization, programs or activities of the Corporation and may terminate or dissolve the Corporation. Separate financial statements may be obtained by contacting the Corporation.

I. Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Excluded from the reporting entity:

Tax appraisal services are provided for the City of Hamilton by contract with the Hamilton County Appraisal District, and the Upper Leon River Municipal Water District provides water on a contracted basis. The City budgets and provides a limited amount of support for the Hamilton Volunteer Fire Department, the Chamber of Commerce, and for the Hamilton Public Library. Education services are provided to citizens by the Hamilton Independent School District. The City of Hamilton appoints a voting majority of the governing body of the Housing Authority of the City of Hamilton but is not able to impose its will on the governing body.

The County Appraisal District, Municipal Water District, Volunteer Fire Department, Library, Chamber of Commerce and Independent School District are separate organizations with boards of directors not appointed by the City of Hamilton. None of the organizations are able to provide specific financial benefits to, or impose specific financial burdens on, the City of Hamilton. All of the organizations are fiscally independent of the City of Hamilton. The listed agencies are not component units of the City of Hamilton.

B. Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 business-type activities of the City and for each function of the City'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. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, 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.

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There were no other funds to be 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 and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major Governmental funds:

- The ***General Fund*** is the City'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 ***Capital Improvements Fund*** accounts for major capital expenditures not financed by the Enterprise Fund.

The City reports the following major Enterprise fund:

- The ***Water and Sewer Enterprise Fund*** accounts for the operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes, interest revenue, charges for services and sales tax revenues are susceptible to accrual. Franchise taxes, fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Budgetary Control

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of an Ordinance.

4. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund. A budget is legally adopted for the General Fund and Enterprise Fund.

Budgets for the General Fund and Enterprise Fund are adopted on a basis consistent with accountin g principles generally accepted in the United States of America (GAAP).

I. Summary of Significant Accounting Policies (continued)

D. Budgetary Control (continued)

The General Fund Budgetary Comparison Schedule presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

All appropriations lapse on September 30 of the fiscal year.

Budget amounts are as originally adopted or as amended by the City Council.

For the year ended September 30, 2022 actual expenditures exceed appropriations in General fund by $487,185. These over expenditures were funded by the use of reserves.

E. Cash and Investments

Cash and Investments – Cash includes amounts in demand deposits and savings accounts, as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. As of September 30, 2022, the City did not have any investments with a maturity greater than one year when purchased.

F. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. 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. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Infrastructure	40 years
Buildings	20 - 40 years
Equipment	5 - 10 years

I. Summary of Significant Accounting Policies (continued)

G. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of net position will sometimes 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has several items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes which resulted in deferred inflows of resources in the amount of $35,194. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Accrued Compensated Absences

Full-time City employees are eligible to earn paid time off (PTO). The amount of PTO that can be accrued each year is based on the length of service and accrues according to an accrual schedule established by the City manager. Employees may carry forward earned PTO past the anniversary date based upon PTO allowed, according to the number of years of continuous employment with the City. Any PTO hours earned over the allowed amount that are not used by the anniversary date, will not be carried forward nor will any pay be given for those hours.
In accordance with accounting principles generally accepted in the United States of America, the City recognizes liabilities for future employee vacations for which payments is probable and can be estimated reasonably. Earned, unused medical leave time is not paid upon termination of employment for any reason. An employee becomes ineligible for medical leave benefits upon giving notice of resignation. Due to this policy, no accrued liability for sick leave has been recorded

I. Summary of Significant Accounting Policies (continued)

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

J. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

I. Summary of Significant Accounting Policies (continued)

J. Fund Balance and Net Position (continued)

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted net position will be fully utilized first followed by unrestricted as necessary.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the City's actuary report. For this purpose, OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Information regarding the City's net OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

M. Implementation of New Standard

In the current fiscal year, the City implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements. There was no effect on beginning net position due to the implementation of this standard.

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improvement accounting and financial reporting for leases by governments. This Statement increases the usefulness of government' financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as

I. Summary of Significant Accounting Policies (continued)

M. Implementation of New Standard (continued)

operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

II. Deposits and Short-Term Investments

Cash and investments as of September 30, 2022 consist of the following:

	Governmental Activities	Business-type Activities
Cash and Cash Equivalents	$ 829,224	$ 968,225
Investments - TexPool	1,016,492	642,896
Investments - Certificates of Deposit	-	540,486
	$ 1,845,716	$ 2,151,607

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric. As of September 30, 2022, the City had investments in TexPool totaling $1,659,388 which had a weighted average maturity of 25 days. As of September 30, 2022, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, is AAA. The actual rating for TexPool as of September 30, 2022 was AAAm.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2022, other than external investment pools and CD's, the City did not have 5% or more of its investments with one issuer.

II. Deposits and Short-Term Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At September 30, 2022, the bank balance of the City's cash and deposits was $2,394,797. $250,000 of the bank was covered by depository insurance under the FDIC, with and the remaining balance was secured with securities held by pledging financial institutions.

Investment in State Investment Pools

The City is a voluntary participant in the TexPool external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The financial statements of TexPool can be obtained from the Texas Trust Safekeeping Trust Company at www.ttstc.org. There are no limitations or restrictions on withdrawals.

III. Restricted Assets

Restricted assets in are held for the following purposes in accordance with legal provisions:

General Fund		
Court Security	$	17,587
Oakwood Cemetery		127,269
Court Technology		18,078
	$	162,934
Enterprise Fund		
Refundable water and wastewater deposits	$	102,235
Infrustructure fee		114,243
	$	216,478

CITY OF HAMILTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
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IV. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied during the subsequent fiscal year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60-day period after the close of the fiscal year. The City has its property taxes collected by the Hamilton County Appraisal District. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

The allowance for uncollectible property taxes receivable as of September 30, 2022 was $26,551 for the general fund.

V. Capital Assets

Capital assets activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 274,875	-	-	$ 274,875
Total assets not being depreciated	274,875	-	-	274,875
Capital assets, being depreciated:				
Buildings	135,515	-	-	135,515
Airport	4,701,745	-	-	4,701,745
Park improvements	1,035,667	-	-	1,035,667
Equipment	1,060,320	233,444	-	1,293,764
Financed purchase equipment	773,647	-	-	773,647
Infrastructure	1,965,822	-	-	1,965,822
Total capital assets being depreciated	9,672,716	233,444	-	9,906,160
Accumulated depreciation:				
Buildings	135,515	-	-	135,515
Airport	3,757,196	109,149	-	3,866,345
Park improvements	765,136	51,987	-	817,123
Equipment	749,745	96,448	-	846,193
Financed purchase equipment	695,801	38,922	-	734,723
Infrastructure	1,464,918	47,192	-	1,512,110
Total accumulated depreciation	7,568,311	343,698	-	7,912,009
Total capital assets being depreciated, net	2,104,405	(110,254)	-	1,994,151
Governmental activities capital assets, net	$ 2,379,280	$ (110,254)	$ -	$ 2,269,026

V. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 17,578	-	-	$ 17,578
Total assets not being depreciated	17,578	-	-	17,578
Capital assets, being depreciated:				
Building	25,501	-	-	25,501
Infrastructure	13,644,580	-	-	13,644,580
Equipment	1,286,258	27,000	-	1,313,258
Motor vehicles	151,770	-	-	151,770
Total capital assets being depreciated	15,108,109	27,000	-	15,135,109
Accumulated depreciation:				
Building	12,538	638	-	13,176
Infrastructure	8,775,151	309,780	-	9,084,931
Equipment	1,258,376	13,222	-	1,271,598
Motor vehicles	84,162	16,379	-	100,541
Total accumulated depreciation	10,130,227	340,019	-	10,470,246
Total capital assets being depreciated, net	4,977,882	(313,019)	-	4,664,863
Business-type activities capital assets, net	$ 4,995,460	$ (313,019)	-	$ 4,682,441

Depreciation was charged to functions/programs of the government as follows:

Governmental Activities:	
General government	$ 762
Public safety	40,471
Highways and streets	72,456
Culture and recreation	50,526
Airport	179,483
Total depreciation expense - governmental activities	$ 343,698
Business-type Activities:	
Water and sewer system	$ 340,019
Total depreciation expense - business-type activities	$ 340,019

VI. Long-term Debt

At September 30, 2022, the City's bonds and notes payable consisted of the following:

	Governmental	Business-Type
Note payable to a financial institution in annual installments of $80,450 through 2024 including interest at a rate of 3.170%, secured by property financed	-	153,556
Note payable to a financial institution in annual installments of $23,000 through 2023 including interest at a rate of 3.49%, secured by vehicles financed	22,502	-
2020 General Obligation Refunding Bonds, dated August 17, 2020, due in annual installments through January 1, 2029 bearing interest rate of 3.58%	-	1,422,000
2020 General Obligation Refunding Bonds, dated September 1, 2020, due in annual installments through September 30, 2032 bearing interest rate of 3%.	-	1,005,924
Note payable to a financial institution in annual installments of $38,824 through 2026 including interest at a rate of 2.41%, secured by property financed	146,279	-
	$ 168,781	$ 2,581,480

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2022:

Description	Beginning Balance 9/30/2021	Increases	Decreases	Ending Balance 9/30/2022	Due within one year
Governmental activities:					
Financed purchase	$ 85,049	$ -	$ 42,043	$ 43,006	$ 43,006
Notes payable	76,544	180,700	88,463	168,781	57,762
Net pension liability	404,842	(172,410)	-	232,432	-
Net OPEB liability	90,498	3,864	-	94,362	-
Accrued compensated absences	23,392	157	-	23,549	-
Governmental activities long-term liabilities	$ 680,325	$ 12,311	$ 130,506	$ 562,130	$ 100,768
Business-type activities					
General obligation bonds	$ 2,573,000	$ -	$ 221,000	$ 2,352,000	$ 221,000
Premium on bond	83,518	-	7,594	75,924	7,594
Notes payable - equipment	226,814	-	73,258	153,556	75,581
Net pension liability	175,736	-	-	100,896	-
Net OPEB liability	39,285	-	-	40,961	-
Accrued compensated absences	12,243	614	-	12,857	-
Business-type activities long-term liabilities	$ 3,110,596	$ 614	$ 301,852	$ 2,736,194	$ 304,175

VI. Long-term Debt (continued)

The annual requirements to amortize all bonds and notes payable outstanding as of September 30, 2022 are as follows:

General Obligation Bonds	Business-Type	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2023	221,000	52,786	273,786
2024	225,000	48,199	273,199
2025	235,000	43,451	278,451
2026	238,000	38,553	276,553
2027	241,000	33,597	274,597
2028-2032	1,192,000	83,746	1,275,746
Total	$ 2,352,000	$ 300,332	$ 2,652,332

Note Payable - Equipment	Business-Type	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2023	75,581	4,869	80,450
2024	77,975	2,473	80,448
Total	$ 153,556	$ 7,342	$ 160,898

Notes Payable	Governmental	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2023	57,762	4,363	62,125
2024	36,119	2,705	38,824
2025	36,999	1,825	38,824
2026	37,901	924	38,825
Total	$ 168,781	$ 9,817	$ 178,598

VII. Financed Purchase

The City reports one financed purchase outstanding for governmental activities used to acquire a piece of machinery. The City entered into the finance purchase agreement in 2013 for $389,224 at an imputed interest rate of 2.3% with annual principal and interest payments of $43,989 ending 2023. The carrying value of the assets acquired through the financed purchase at December 31, 2022 was $38,922.

Year Ending September 30	Principal	Interest	Total
2023	43,006	983	43,989

VIII. Retirement Plan

Plan Description

The City of Hamilton participates in a nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*. All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefits in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	Plan Year 2021	Plan Year 2020
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating
Retirement eligibility (Age/Service)	60/5, 0/20	60/5, 0/20
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

VIII. Retirement Plan (continued)

Benefits Provided (continued)

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

	2021
Inactive employees of beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	45
Active employees	29
	98

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Hamilton were required to contribute 7% of the annual gross earnings during the fiscal year. The contribution rates for the City of Hamilton were 14.29% and 14.69% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were $161,824, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) is used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2021 actual valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50%
Investment rate of return	6.75%

VIII. Retirement Plan (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

VIII. **Retirement Plan (continued)**

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2020	$ 4,933,467	$ 4,352,889	$ 580,578
Changes for the year:			
Service cost	170,216	-	170,216
Interest	329,003	-	329,003
Change of benefit terms	-	-	-
Difference between expected and actual experience	39,522	-	39,522
Changes of assumptions	-	-	-
Contributions - employer	-	147,043	(147,043)
Contributions - employee	-	73,961	(73,961)
Net investment income	-	567,596	(567,596)
Benefit payment, including refunds of employee contibutions	(288,900)	(288,900)	-
Administrative expense	-	(2,626)	2,626
Other changes	-	17	(17)
Net changes	249,841	497,091	(247,250)
Balance at 12/31/2021	**$ 5,183,308**	**$ 4,849,980**	**$ 333,328**

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage -point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 1,025,667	$ 333,328	$ (232,706)

VIII. Retirement Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

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

For the year ended September 30, 2022, the City recognized pension expense of $68,568.

At September 30, 2022, the City 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 economic experience	$ 42,130	$ -
Changes in actuarial assumptions	1,459	-
Difference between projected and actual investment earnings	-	290,451
Contributions subsequent to the measurement date	128,986	-
Total	$ 172,575	$ 290,451

$128,986 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	$ (17,682)
2023	(112,829)
2024	(61,599)
2025	(54,752)
2026	-
Thereafter	-

IX. Postemployment Benefits Other Than Pensions

The City participates in a single employer, defined benefit group-term life insurance plan known as Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. They may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death).

Employees Covered By Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit (OPEB) and is a fixed amount of $7,500.

	2021
Inactive employees of beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	6
Active employees	29
	50

Net OPEB Liability

The City's net OPEB liability of $ 135,323 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

IX. Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions

The net OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Overall payroll growth	3.5% to 11.5% including inflation
Discount Rate	1.84%

Salary increases were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100.0%. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

	Net OPEB Liability
Balance at December 31, 2020	129,783
Changes for the year:	
Service cost	4,331
Interest	2,604
Changes of benefit terms	-
Difference between expected and actual experience	(1,414)
Changes of assumptions or other inputs	3,506
Benefit payments	(3,487)
Net changes	5,540
Balance at December 31, 2021	135,323

Discount Rate

The discount rate was used to measure the net OPEB liability was 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

IX. **Postemployment Benefits Other Than Pensions (continued)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage -point lower (.84%) or 1- percentage -point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	$ 160,488	$ 135,323	$ 115,443

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of $ 14,972.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ -
Changes in actuarial assumptions	1,191	-
Difference between projected and actual investment earnings	16,597	-
Contributions subsequent to the measurement date	-	-
Total	$ 17,788	$ -

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	$ 7,395
2023	7,239
2024	2,834
2025	320
2026	-
Thereafter	-

X. Commitments

The City entered into a 40-year contract with the Upper Leon River Municipal Water District (ULRMWD) which allows purchase of up to 335 million gallons per year, not to exceed 2.31 million gallons per day during peak usage periods. The City may request additional water if the need arises with 60-days notification by the District that they are in agreement with revised terms. These provisions leave room for growth of the City's water system.

The City is required to continue maintenance of the federally subsidized airport in future years. All revenues generated by the airport are required to be utilized for maintenance and operations of the airport. The airport maintenance expenditures for the year ended September 30, 2022 totaled $163,762. The revenues generated by the airport property and services for the year totaled $199,001. As a result, there is an accumulated restricted fund balance of $39,113 for airport operations as of September 30, 2022.

XI. Tax Abatements

There were no tax abatements authorized by the City during 2022.

XII. Risk Management

The City 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 City insures its buildings and contents, law enforcement liability, public officials' liability, general liability and auto liability under a renewable one-year policy with the Texas Municipal League. The City insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUE				
Taxes:				
General Property	$ 909,617	$ 909,617	$ 928,078	$ 18,461
General Sales and Use	700,000	854,615	884,480	29,865
Franchise	153,025	153,025	157,096	4,071
Other	20,000	19,300	27,819	8,519
License and Permits	17,000	17,000	33,749	16,749
Intergovernmental	20,000	20,000	471,289	451,289
Charges for Services	617,672	617,672	665,480	47,808
Component Unit Leased Employee Income	110,000	110,000	86,773	(23,227)
Fines	135,100	135,100	127,403	(7,697)
Investment Earnings	5,000	5,000	16,206	11,206
Rental Income	45,380	45,380	49,538	4,158
Other Revenues	270,815	361,376	346,880	(14,496)
Total Revenues	3,003,609	3,248,085	3,794,791	546,706
EXPENDITURES				
Current:				
General Government	399,611	447,446	419,305	28,141
Public Safety	832,262	921,160	789,967	131,193
Highways and Streets	504,760	504,760	327,925	176,835
Airport	94,350	130,100	576,414	(446,314)
Sanitation	450,000	467,496	512,779	(45,283)
Culture and Recreation	354,509	354,509	288,352	66,157
Library	20,000	20,000	20,000	-
Economic Development	233,333	287,452	424,486	(137,034)
Debt Service:				
Principal	94,390	94,390	130,506	(36,116)
Interest and Fiscal Charges	4,809	4,809	9,215	(4,406)
Capital Outlay	53,200	53,200	273,558	(220,358)
Total Expenditures	3,041,224	3,285,322	3,772,507	(487,185)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,615)	(37,237)	22,284	59,521
Other Financing Sources (Uses):				
Proceeds From Debt	-	150,000	180,700	30,700
Total Other Financing Sources (Uses)	-	150,000	180,700	30,700
Net Change in Fund Balances	(37,615)	112,763	202,984	90,221
Fund Balances - Beginning	1,686,149	1,686,149	1,686,149	-
Fund Balances - Ending	$ 1,648,534	$ 1,798,912	$ 1,889,133	$ 90,221

CITY OF HAMILTON

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 10 Measurement Years (will ultimately be displayed)

Total Pension Liability	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Service Cost	$ 96,732	$ 150,925	$ 163,026	$ 161,419	$ 178,774	$ 189,154	$ 185,812	$ 170,216
Interest (on the Total Pension Liability)	254,762	265,324	265,822	280,675	287,368	294,557	309,932	329,003
Changes of Benefit Terms	-	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(37,538)	(78,109)	55,343	(77,038)	(93,707)	(14,444)	74,716	39,522
Change of Assumptions	-	21,802	-	-	-	24,490	-	-
Benefit Payments, Including Refunds of Employee Contributions	(206,356)	(173,972)	(262,486)	(264,204)	(284,949)	(257,303)	(271,331)	(288,900)
Net Change in Total Pension Liability	107,600	185,970	221,705	100,852	87,486	236,454	299,129	249,841
Total Pension Liability - Beginning	3,694,271	3,801,871	3,987,841	4,209,546	4,310,398	4,397,884	4,634,338	4,933,467
Total Pension Liability - Ending (a)	$3,801,871	$3,987,841	$4,209,546	$4,310,398	$4,397,884	$4,634,338	$4,933,467	$5,183,308
Plan Fiduciary Net Position								
Contributions - Employer	$ 141,764	$ 178,065	$ 182,273	$ 163,428	$ 180,879	$ 201,044	$ 173,194	$ 147,043
Contributions - Employee	45,038	57,921	61,519	61,144	67,791	78,580	80,289	73,961
Net Investment Income	163,193	4,419	206,718	449,669	(109,388)	541,670	308,548	567,596
Benefit Payments, Including Refunds of Employee Contributions	(206,356)	(173,972)	(262,486)	(264,204)	(284,949)	(257,303)	(271,331)	(288,900)
Administrative Expense	(1,704)	(2,691)	(2,334)	(2,330)	(2,114)	(3,060)	(1,996)	(2,626)
Other	(140)	(133)	(126)	(118)	(110)	(91)	(78)	17
Net Change in Plan Fiduciary Net Position	141,795	63,609	185,564	407,589	(147,891)	560,840	288,626	497,091
Plan Fiduciary Net Position - Beginning	2,852,758	2,994,553	3,058,162	3,243,726	3,651,315	3,503,423	4,064,263	4,352,889
Plan Fiduciary Net Position - Ending (b)	$2,994,553	$3,058,162	$3,243,726	$3,651,315	$3,503,424	$4,064,263	$4,352,889	$4,849,980
Net Pension Liability - Ending (a) - (b)	$ 807,318	$ 929,679	$ 965,820	$ 659,083	$ 894,460	$ 570,075	$ 580,578	$ 333,328
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.77%	76.69%	77.06%	84.71%	79.66%	87.70%	88.23%	93.57%
Covered Employee Payroll	$ 643,400	$ 827,441	$ 878,844	$ 873,479	$ 968,441	$1,122,577	$1,146,986	$1,056,585
Net Pension Liability as a Percentage of Covered Employee Payroll	125.48%	112.36%	109.90%	75.45%	92.36%	50.78%	50.62%	31.55%

Note: Only eight years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF HAMILTON

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	$ 174,798	$192,056	$166,745	$163,549	$ 180,879	199,908	152,274	161,824
Contributions in Relation to the Actuarially Determined Contribution	174,798	192,056	166,745	163,549	180,879	199,908	152,274	161,824
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
Covered Employee Payroll	643,400	827,441	878,844	873,479	968,441	1,122,577	1,146,986	1,056,585
Contributions as a Percentage of Covered Employee Payroll	27.17%	23.21%	18.97%	18.72%	18.68%	17.81%	13.28%	15.32%

Note: Only eight years of data is presented in accordance with GASB 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

CITY OF HAMILTON

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

Total OPEB Liability	**2017**	**2018**	**2019**	**2020**	**2021**
Service Cost	$ 2,882	$ 3,680	$ 4,041	$ 4,932	$ 4,332
Interest on total OPEB liability	2,690	2,697	3,170	2,973	2,603
Changes of Benefit					
Terms including TMRS plan participation	-	-	-	-	-
Difference between expected and actual experience	-	3,611	994	1,761	(1,414)
Change in assumption or other inputs	5,209	(5,053)	15,269	15,108	3,506
Benefit payments	(699)	(1,065)	(1,235)	(1,261)	(3,487)
Net Change in Total OPEB Liability	10,082	3,870	22,239	23,513	5,540
Total OBEB Liability - Beginning	70,079	80,161	84,031	106,270	129,783
Total OPEB Liability - Ending (a)	$ 80,161	$ 84,031	$ 106,270	$ 129,783	$ 135,323
Covered Employee Payroll	$873,479	$968,441	$1,122,577	$1,146,986	$1,056,585
Net OPEB Liability as a Percentage of Covered Employee Payroll	9.18%	8.68%	9.47%	11.32%	12.81%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

Only four years of data is presented in accordance with GASB 75, Paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF HAMILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.