CITY OF HAMILTON, TEXAS

Annual Financial Report
Fiscal Year Ended
September 30, 2025

CITY OF HAMILTON, TEXAS
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Year Ended September 30, 2025

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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, 2025, 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, 2025, 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 described in Note 1 to the financial statements, in fiscal year ending September 30, 2025, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101 *Compensated Absences.* Our opinion is 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 be 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
April 2, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HAMILTON, TEXAS
Management's Discussion and Analysis
September 30, 2025

As management of the City of Hamilton (the City), we offer the readers of the City's financial statements this narrative overview, management's discussion and analysis (MD&A) of our financial activities for the year ended September 30, 2025. 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 was a five year contract, which expires December 31, 2025. The City will request bids for a new contract, which will begin January 1, 2026.

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 on one pressure plane. All towers are looped back together.

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 Street 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 have had pump replacements as they reach end of useful life. 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, an influent flow measurement (Parshall Flume), a grit basin, a raw water lift station, an oxidation ditch (aeration basin), two (2) final clarifiers, belt press, and sludge drying beds. The existing facility was constructed in 1990, expanded in 2009, and had $220,335 in renovations completed in April of 2021. The facility does not treat any industrial waste, and therefore, does not have any special treatment facilities. The WWTP is permitted not to exceed 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 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 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 and 17 of this report.

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 beginning on page 25 of this report.

Financial Highlights

The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of September 30, 2025 by $9.7 million of which $6 million is invested in capital assets, net of related debt. The total net position was comprised of $5.3 million in governmental activities and $4.4 million in business-type activities.

The overall increase in the City's net position for the year ended September 30, 2025 was $446 thousand.

City's Financial Analysis

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

CITY OF HAMILTON, TEXAS
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 2,337,734	$ 2,479,804	$ 2,234,499	$ 2,332,286	$ 4,572,233	$ 4,812,090
Capital Assets	3,707,509	3,142,878	4,355,004	4,469,272	8,062,513	7,612,150
Total Assets	6,045,243	5,622,682	6,589,503	6,801,558	12,634,746	12,424,240
Deferred Outflows	245,867	193,403	143,126	99,922	388,993	293,325
Total Assets and Deferred Outflows	6,291,110	5,816,085	6,732,629	6,901,480	13,023,739	12,717,565
Current Liabilities	221,163	392,434	296,547	196,898	517,710	589,332
Non-Current Liabilities	511,253	568,824	1,912,963	2,183,328	2,424,216	2,752,152
Total Liabilities	732,416	961,258	2,209,510	2,380,226	2,941,926	3,341,484
Deferred Inflows	251,403	99,022	149,897	42,986	401,300	142,008
Total Liabilities and Deferred Inflows	983,819	1,060,280	2,359,407	2,423,212	3,343,226	3,483,492
Net Position:						
Net Investment in Capital Assets	3,404,339	3,026,216	2,630,862	2,478,431	6,035,201	5,504,647
Restricted:						
Water and Sewer Infrastructure Fee	-	-	513,978	413,785	513,978	413,785
Court Technology	49,084	45,817	-	-	49,084	45,817
Cemetery Maintenance	173,435	165,941	-	-	173,435	165,941
Unrestricted	1,680,433	1,517,831	1,228,382	1,586,052	2,908,815	3,103,883
Total Net Position	$ 5,307,291	$ 4,755,805	$ 4,373,222	$ 4,478,268	$ 9,680,513	$ 9,234,073

CITY OF HAMILTON, TEXAS
Changes In Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Fines, Fees, and Charges for Services	$ 971,301	$ 1,117,977	$ 3,208,851	3,245,033	$ 4,180,152	$ 4,363,010
Operating Grants and Contributions	367,861	1,211,458	-	-	367,861	1,211,458
Capital Grants and Contributions	-	-	39,505	639,439	39,505	639,439
General Revenue:						
Property Taxes	1,171,306	1,050,856	-	-	1,171,306	1,050,856
Sales Tax	632,771	581,913	-	-	632,771	581,913
Franchise Taxes	172,581	171,432	-	-	172,581	171,432
Other Taxes	34,721	32,097	-	-	34,721	32,097
Investment Earnings	79,540	94,060	105,906	94,966	185,446	189,026
Gain (Loss) on Sale of Assets	(13,447)	50,378	7,051	-	(6,396)	50,378
Miscellaneous	132,497	425,127	-	-	132,497	425,127
Total Revenues	3,549,131	4,735,298	3,361,313	3,979,438	6,910,444	8,714,736
Expenses:						
General Government	591,952	544,004	-	-	591,952	544,004
Public Safety	609,782	910,550	-	-	609,782	910,550
Highways and Streets	680,578	687,648	-	-	680,578	687,648
Airport	308,711	305,343	-	-	308,711	305,343
Sanitation	592,861	588,621	-	-	592,861	588,621
Culture and Recreation	179,128	323,937	-	-	179,128	323,937
Library	20,000	20,000	-	-	20,000	20,000
Interest on Debt	14,634	7,961	-	-	14,634	7,961
Water and Sewer	-	-	3,466,359	3,353,542	3,466,359	3,353,542
Total Expenses	2,997,645	3,388,064	3,466,359	3,353,542	6,464,004	6,741,606
Change in Net Position Before Transfers	551,486	1,347,234	(105,046)	625,896	446,440	1,973,130
Transfers	-	70,000	-	(70,000)	-	-
Change in Net Position	551,486	1,417,234	(105,046)	555,896	446,440	1,973,130
Net Position, Beginning	4,755,805	3,338,571	4,478,268	3,922,372	9,234,073	7,260,943
Net Position, Ending	$ 5,307,291	$ 4,755,805	$ 4,373,222	$ 4,478,268	$ 9,680,513	$ 9,234,073

The governmental net position increased by $551 thousand during the fiscal year, compared to the prior year increase of $1.4 million. Business-type activities decreased the City's net position by $105 thousand compared to an increase in the prior year of $556 thousand.

General, Utility and Airport Fund Budgetary Highlights

In the 2024-2025 budget, City property taxes were increased from .4777 to .4989, which is a 10.6% increase in revenue and 4.4% increase in tax rate. In grant funding, the city continued to utilize the Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act. The projects that were identified for this money were all unexpected emergency projects, such as continuing the waterline replacement project on W Henry & N Cage, Line stop to repair leak on Highway 22, emergency repairs on rotors at WWTP, repair cla-valve at WTP, SH 36 14 inch AC waterline replacement, Highway 281 mainline extension, bearing replacement & gear drive repair at WWTP, and water plant pump replacement.

Economic Factors and Next Year's Budget and Rates

In the 2025-2026 budget, General Fund revenues are budgeted to increase by $110,000 from the 2024-2025 budget. The property tax rate is to be decreased by 8% in the 2025-2026 budget.

Capital Asset and Debt Administration

Over many years, the City has invested $28.5 million in capital assets, which the net of accumulated depreciation has a net book value of $8.1 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, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Cash and Investments	$ 1,727,754	$ 2,045,606	$ 3,773,360	$ 825,303
Receivables, Net of Allowance of $395,461 Governmental Activities and $78,044 Business-Type Activities	83,894	340,169	424,063	-
Taxes Receivable, Net of Allowance of $38,491	27,436	-	27,436	-
Grant Receivables	225,021	-	225,021	-
Intergovernmental Receivable	109,202	-	109,202	53,914
Note Receivable	-	-	-	23,602
Internal Balances	155,095	(155,095)	-	-
Other Assets	9,332	3,819	13,151	-
Capital Assets (Net of Accumulated Depreciation/Amortization):				
Land	274,875	17,578	292,453	-
Construction in Progress	1,215,957	-	1,215,957	-
Buildings	-	10,413	10,413	2,247
Airport	861,431	-	861,431	-
Park Improvements	63,193	-	63,193	-
Equipment	457,367	258,439	715,806	1,188
Motor Vehicles	-	8,244	8,244	-
Infrastructure	834,686	4,060,330	4,895,016	-
Total Assets	6,045,243	6,589,503	12,634,746	906,254
DEFERRED OUTFLOWS:				
Deferred Loss on Refunding	-	11,976	11,976	-
Related to the TMRS pension	241,436	127,776	369,212	-
Related to the TMRS OPEB	4,431	3,374	7,805	-
	245,867	143,126	388,993	-
Total Assets and Deferred Outflows	6,291,110	6,732,629	13,023,739	906,254
LIABILITIES:				
Accounts Payable and Other Current Liabilities	208,474	158,052	366,526	2,476
Accrued Interest Payable	12,689	13,385	26,074	-
Customer Deposits	-	125,110	125,110	-
Noncurrent Liabilities:				
Accrued Compensated Absences Due Within One Year	20,063	23,155	43,218	-
Long-term Debt Due Within One Year	90,685	238,000	328,685	-
Long-term Debt Due in More than One Year	212,485	1,486,142	1,698,627	-
OPEB Liability	54,040	47,615	101,655	-
Net Pension Liability	133,980	118,051	252,031	-
Total Liabilities	732,416	2,209,510	2,941,926	2,476
DEFERRED INFLOWS:				
Related to the TMRS OPEB	14,154	7,204	21,358	-
Related to the TMRS Pension	237,249	142,693	379,942	-
Total Liabilities and Deferred Inflows	983,819	2,359,407	3,343,226	-
NET POSITION				
Net Investment in Capital Assets	3,404,339	2,630,862	6,035,201	-
Restricted For:				
Water and Sewer Infrastructure Fee	-	513,978	513,978	-
Court Technology	49,084	-	49,084	-
Cemetery Maintenance	173,435	-	173,435	-
Economic Development	-	-	-	903,778
Unrestricted	1,680,433	1,228,382	2,908,815	-
Total Net Position	$ 5,307,291	$ 4,373,222	$ 9,680,513	$ 903,778

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

Statement of Activities

For The Year Ended September 30, 2025

		Program Revenues			(Expense) Revenue and Changes in Net Posi			
					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	$ 591,952	$ 26,629	$ -	$ -	$ (565,323)	$ -	$ (565,323)	$ -
Public Safety	609,782	96,151	-	-	(513,631)	-	(513,631)	-
Highways and Streets	680,578	-	225,021	-	(455,557)	-	(455,557)	-
Airport	308,711	145,055	142,840	-	(20,816)	-	(20,816)	-
Sanitation	592,861	703,466	-	-	110,605	-	110,605	-
Culture and Recreation	179,128	-	-	-	(179,128)	-	(179,128)	-
Library	20,000	-	-	-	(20,000)	-	(20,000)	-
Interest on Long-Term Debt	14,634	-	-	-	(14,634)	-	(14,634)	-
Total Governmental Activities	2,997,645	971,301	367,861	-	(1,658,483)	-	(1,658,483)	-
Business-type Activities:								
Water and Sewer	3,466,359	3,208,851	-	39,505	-	(218,003)	(218,003)	-
Total Business-Type Activities	3,466,359	3,208,851	-	39,505	-	(218,003)	(218,003)	-
Total Primary Government	$ 6,464,004	$ 4,180,152	$ 367,861	$ 39,505	(1,658,483)	(218,003)	(1,876,486)	-
COMPONENT UNIT:								
Economic Development Corporation	$ 416,938	$ -	$ 316,878	$ -				(100,060)
Taxes:								
Property					1,171,306	-	1,171,306	-
Sales					632,771	-	632,771	-
Franchise					172,581	-	172,581	-
Other					34,721	-	34,721	-
Investment Earnings					79,540	105,906	185,446	36,231
Gain (Loss) on Sale of Assets					(13,447)	7,051	(6,396)	6,000
Miscellaneous					132,497	-	132,497	-
Total General Revenues and Transfers					2,209,969	112,957	2,322,926	42,231
Change in Net Position					551,486	(105,046)	446,440	(57,829)
Net Position - Beginning					4,755,805	4,478,268	9,234,073	961,607
Net Position - Ending					$ 5,307,291	$ 4,373,222	$ 9,680,513	$ 903,778

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS
Balance Sheet - Governmental Funds
September 30, 2025

	General Fund
ASSETS	
Assets:	
Cash and Investments	$ 1,727,754
Receivables, Net of Allowance of $18,419	72,853
Taxes Receivable, Net of Allowance of $38,491	27,436
Grant Receivables	225,021
Due from Other Governments	109,202
Prepaid Items	9,332
Due from other fund	155,095
Total Assets and Other Debits	$ 2,326,693
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	
Liabilities:	
Accounts Payable	$ 153,207
Contract Amounts Payable	765
Accrued Liabilities Payable	54,502
Total Liabilities	208,474
Deferred Inflows:	
Unavailable Revenue - Property Taxes	27,436
Fund Balances:	
Nonspendable	
Prepaid Items	9,332
Restricted For:	
Court Security Technology	49,084
Cemetery Maintenance	173,435
Unassigned	1,858,932
Total Fund Balance	2,090,783
Total Liabilities, Deferred Inflows, and Fund Balance	$ 2,326,693

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2025

Total fund balances - governmental funds balance sheet		$ 2,090,783
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.		3,707,509
Revenue earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements		38,477
Long-term liabilities and the related interest payable are not due and payable in the current period and therefore are not reported in the fund financial statements.		(315,859)
Compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.		(20,063)
The statement of net position includes the City's proportionate share of the TMRS net pension liability as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.		
Net pension liability	(133,980)	
Deferred resource outflow	241,436	
Deferred resource inflow	(237,249)	(129,793)
The statement of net position includes the City's proportionate share of TMRS OPEB liability as well as certain OPEB related transactions accounted for as Deferred Inflows and Outflows of resources.		
OPEB liability	(54,040)	
Deferred resource outflow	4,431	
Deferred resource inflow	(14,154)	(63,763)
Net position of governmental activities		$ 5,307,291

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

Statement of Revenues, Expenditures, and Changes
In Fund Balances - Governmental Funds
For The Year Ended September 30, 2025

	General Fund
REVENUE	
Taxes:	
General Property	$ 1,170,587
General Sales and Use	632,771
Franchise	172,581
Other	34,721
License and Permits	12,700
Intergovernmental	367,861
Charges for Services	714,290
Fines	97,252
Investment Earnings	79,540
Rental Income	68,765
Other Revenues	225,637
Total Revenues	3,576,705
EXPENDITURES	
Current:	
General Government	668,817
Public Safety	619,836
Highways and Streets	1,109,321
Airport	294,902
Sanitation	592,861
Culture and Recreation	196,213
Library	20,000
Debt Service:	
Principal	47,165
Interest and Fiscal Charges	4,377
Capital Outlay	276,025
Total Expenditures	3,829,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	(252,812)
Other Financing Sources (Uses):	
Issuance of Debt	233,673
Proceeds on Sale of Assets	72,724
Total Other Financing Sources (Uses)	306,397
Net Change in Fund Balances	53,585
Fund Balances - Beginning	2,037,198
Fund Balances - Ending	$ 2,090,783

The accompanying notes are an integral part of this statement.

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, 2025

Net change in fund balances - total governmental funds	$	53,585
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 capital outlays exceed depreciation in the current period.		578,078
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(13,447)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(14,127)
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.		(186,508)
Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		8,089
Net pension liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		119,084
OPEB liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		16,989
Current year changes in accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(10,257)
Change in net position of governmental activities	$	551,486

CITY OF HAMILTON, TEXAS

Statement of Net Position

Proprietary Fund

September 30, 2025

		Enterprise Fund
ASSETS:		**Water and Sewer Fund**
Current Assets:		
Cash and Investments	$	2,045,606
Receivables, Net of Allowance of $78,044		340,169
Prepaid Items		3,819
Total Current Assets		2,389,594
Capital Assets:		
Land		17,578
Building		25,500
Infrastructure		14,087,849
Machinery and Equipment		1,014,164
Financed Purchases		722,791
Motor Vehicles		133,770
Less Accumulated Depreciation		(11,646,648)
Total Noncurrent Assets		4,355,004
Total Assets		6,744,598
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Refunding		11,976
Related to the TMRS Pension		127,776
Related to the TMRS OPEB		3,374
Total Deferred Outflows of Resources		143,126
Total Assets and Deferred Outflows of Resources		6,887,724

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

Statement of Net Position

Proprietary Fund

September 30, 2025

	Enterprise Fund
LIABILITIES:	**Water and Sewer Fund**
Current Liabilities:	
Accounts Payable	131,527
Other Current Liabilities	26,525
Due to other fund	155,095
Accrued Interest Payable	13,385
Accrued Compensated Absences Due Within One Year	23,155
Long-Term Debt - Current	238,000
Total Current Liabilities	587,687
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	125,110
Total Current Liabilities Payable from Restricted Assets	125,110
Noncurrent Liabilities:	
Long-Term Debt - Due in More Than One Year	1,486,142
Net Pension Liability	118,051
OPEB Liability	47,615
Total Noncurrent Liabilities	1,651,808
Total Liabilities	2,364,605
DEFERRED INFLOWS OF RESOURCES:	
Related to TMRS Pension	142,693
Related to TMRS OPEB	7,204
Total Liabilities and Deferred Inflows of Resources	2,514,502
NET POSITION:	
Net Investment in Capital Assets	2,630,862
Restricted for Water and Sewer Infrastructure Fee	513,978
Unrestricted	1,228,382
Total Net Position	$ 4,373,222

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON

Statement of Revenues, Expenses, and Changes
In Net Position - Proprietary Fund
For The Year Ended September 30, 2025

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for Sales and Services:	
Water Sales	$ 2,269,287
Sewer Sales	792,058
Tap Fees	16,940
Other Services	130,566
Total Operating Revenues	3,208,851
OPERATING EXPENSES:	
Personnel Services - Salaries, Wages and Benefits	667,845
Other Purchased Services	181,585
Water and Chemicals Costs	1,482,569
Repairs and Maintenance	431,854
Depreciation	403,674
Amortization	23,012
Utilities	112,108
Small Tools and Supplies	99,313
Software	6,010
Bad Debt Expense	8,599
Total Operating Expenses	3,416,569
Operating Loss	(207,718)
Non-operating Revenues (Expenses)	
Grant Revenue	39,505
Gain on Disposal of Asset	7,051
Interest Revenue	105,906
Interest Expense	(49,790)
Total Non-operating Revenues (Expenses)	102,672
Change in Net Position	(105,046)
Net position - Beginning	4,478,268
Net position - Ending	$ 4,373,222

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2025

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 3,333,396
Cash Payments to Other Suppliers for Goods and Services	(2,516,181)
Cash Payments to Employees for Services	(422,620)
Cash Received From Other Fund	131,297
Net Cash Provided by Operating Activities	525,892
Cash Flows from Capital and Related Financing Activities:	
Principal Repayment on Debt	(259,105)
Proceeds from Capital Grants	19,480
Proceeds from Sale of Capital Assets	7,551
Interest and Fiscal Charges on Debt	(48,218)
Acquisition of Capital Assets	(204,015)
Net Cash Used in Capital and Related Financing Activities	(484,307)
Cash Flows from Investing Activities:	
Interest on Investments	105,906
Net Cash Provided by Investing Activities	105,906
Net Increase in Cash and Investments	147,491
Cash and Cash Investments at Beginning of Year	1,898,115
Cash and Investments at End of Year	$ 2,045,606

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

Statement of Cash Flows

Proprietary Fund

Year Ended September 30, 2025

Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Loss	$	(207,718)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation and Amortization		317,783
Change in Assets, Liabilities, Deferred Inflows, and Deferred Outflows:		
Decrease (Increase) in Receivables		113,980
Decrease (Increase) in Deferred Outflows TMRS		(45,643)
Decrease (Increase) in Deferred Outflows OPEB		(1,552)
Increase (Decrease) in Accounts Payable		108,273
Increase (Decrease) in Accrued Expenses		(4,338)
Increase (Decrease) in Accrued Compensated Absences		14,725
Increase (Decrease) in Customer Deposits		10,565
Increase (Decrease) in Due to Other Fund		131,297
Increase (Decrease) in Net Pension Liability		(36,175)
Increase (Decrease) in Deferred Inflows TMRS		106,752
Increase (Decrease) in Deferred Inflows OPEB		159
Increase (Decrease) in Net OPEB Liability		17,784
Total Adjustments		733,610
Net Cash Provided by Operating Activities	$	525,892

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. 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. Generally 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (continued)

Excluded from the reporting entity:

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 non–exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the 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.

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 non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accounting principles generally accepted in the United States of America (GAAP).

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.

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, 2025, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (continued)

Depreciation/amortization 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
Right to Use Assets (SBITAs)	2 – 5 years

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 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.

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 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 then.

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.

Full-time employees can earn comp time for hours worked in excess of 40 hours for any given week. The is no limit on the amount of comp time that can be accrued or carried over from year to year.

In accordance with accounting principles generally accepted in the United States of America, the City recognizes liabilities for future employee PTO and comp time for which payments is probable and can be estimated reasonably.

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. Investments are reported at fair value.

Pension liabilities are generally liquidated with resources of the general fund and enterprise fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total 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 employer's yearly contributions for retirees. Information regarding the City's OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

OPEB liabilities are generally liquidated with resources of the general fund and enterprise fund.

K. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles 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.

M. Implementation of New Standard

In the current fiscal year, the City implemented GASB Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet information needs of financial statement users by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences for leave that has been used but not yet paid in cash or settled through noncash means as well as for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

NOTE 2. DEPOSITS AND SHORT-TERM INVESTMENTS

Cash and investments as of September 30, 2025 consist of the following:

	Governmental	Business Type
Cash and Cash Equivalents	205,465	98,560
Investments - Certificates of Deposit	-	594,004
Investments - TexPool	1,522,289	1,353,042
	1,727,754	2,045,606

NOTE 2. DEPOSITS AND SHORT-TERM INVESTMENTS (CONTINUED)

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, 2025, the City had investments in TexPool totaling $2,875,331 which had a weighted average maturity of 44 days. As of September 30, 2025, 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, 2025 was AAAm. The certificates of deposit are unrated.

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, 2025, other than external investment pools and CD's, the City did not have 5% or more of its investments with one issuer.

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).

NOTE 2. DEPOSITS AND SHORT-TERM INVESTMENTS (CONTINUED)

Custodial Credit Risk (continued)

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, 2025, the Extraco bank balance of the City's cash and deposits was $403,175. $250,000 of the bank was covered by depository insurance under the FDIC, and the remaining balance was secured with securities held by pledging financial institutions.

At September 30, 2025, the Cadence bank balance of the City's cash and deposits was $297,691. $250,000 of the bank was covered by depository insurance under the FDIC, 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.

NOTE 3. 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, 2025 was $38,491 for the general fund.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2025, is as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 274,875	$ -	$ -	$ 274,875
Construction in progress	1,215,957	-	-	1,215,957
Total assets not being depreciated	1,490,832	-	-	1,490,832
Capital assets, being depreciated:				
Buildings	135,515	-	-	135,515
Airport	4,800,848	229,322	-	5,030,170
Park improvements	1,035,666	-	-	1,035,666
Equipment	1,514,070	234,052	(311,464)	1,436,658
Financed purchase equipment	773,646	-	-	773,646
Infrastructure	1,965,822	520,222	-	2,486,044
Total capital assets being depreciated	10,225,567	983,596	(311,464)	10,897,699
Accumulated depreciation:				
Buildings	135,515	-	-	135,515
Airport	4,054,930	113,809	-	4,168,739
Park improvements	920,690	51,783	-	972,473
Equipment	1,083,798	120,786	(225,293)	979,291
Financed purchases	773,646	-	-	773,646
Infrastructure	1,604,942	46,416	-	1,651,358
Total accumulated depreciation/amortization	8,573,521	332,794	(225,293)	8,681,022
Total capital assets being depreciated, net	1,652,046	650,802	(86,171)	2,216,677
Governmental activities capital assets, net	$ 3,142,878	$ 650,802	$ (86,171)	$ 3,707,509

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 17,578	$ -	$ -	$ 17,578
Construction in progress	85,185	23,718	(108,903)	-
Total assets not being depreciated/amortized	102,763	23,718	(108,903)	17,578
Capital assets, being depreciated/amortized:				
Building	25,500	-	-	25,500
Infrastructure	13,925,969	161,880	-	14,087,849
Equipment	863,126	151,038	-	1,014,164
Finance purchases	722,791	-	-	722,791
Motor vehicles	151,770	-	(18,000)	133,770
Right-to-use asset - SBITA	69,034	-	(69,034)	-
Total capital assets being depreciated/amortized	15,758,190	312,918	(87,034)	15,984,074
Accumulated depreciation/amortization:				
Building	14,450	637	-	15,087
Infrastructure	9,709,685	317,834	-	10,027,519
Equipment	681,714	74,011	-	755,725
Finance purchase equipment	722,791	-	-	722,791
Motor vehicles	131,834	11,192	(17,500)	125,526
Right-to-use asset - SBITA	46,022	23,012	(69,034)	-
Total accumulated depreciation/amortization	11,306,496	426,686	(86,534)	11,646,648
Total capital assets being depreciated, net	4,451,694	(113,768)	(500)	4,337,426
Business-type activities capital assets, net	$ 4,554,457	$ (90,050)	$ (109,403)	$ 4,355,004

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

Governmental Activities:	
General government	$ 817
Highways and streets	166,385
Culture and recreation	51,783
Airport	113,809
Total depreciation expense - governmental activities	$ 332,794
Business-type Activities:	
Water and sewer system	$ 426,686
Total depreciation/amortization expense - business-type activities	$ 426,686

NOTE 5. NONCURRENT LIABILITIES

At September 30, 2025, the City's bonds and notes payable consisted of the following:

	Governmental	Business-Type
2020 General Obligation Refunding Bonds, dated August 17, 2020, due in annual installments through January 1, 2029 bearing interest rate of 1.91%	-	836,000
2020 General Obligation Refunding Bonds, dated September 30, 2020, due in annual installments through September 30, 2032 bearing interest rate of 3%.	-	888,142
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	37,901	-
Note payable to a financial institution in annual installments of $54,491 through 2030 including interest at a rate of 5.22%, secured by property financed	233,673	-
Note payable to a financial institution in annual installments of $12,718 through 2028 including interest at a rate of 6.11%, secured by property financed	31,596	-
	$ 303,170	$ 1,724,142

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2025:

Description	Beginning Balance 9/30/2024	Increases	Decreases	Ending Balance 9/30/2025	Due within one year
Governmental activities:					
Notes payable	$ 116,662	$ 233,673	$ (47,165)	$ 303,170	$ 90,685
Net pension liability	355,289	-	(221,309)	133,980	-
OPEB liability	68,721	-	(14,681)	54,040	-
Accrued compensated absences	28,152	-	(8,089)	20,063	20,063
Governmental activities long-term liabilities	$ 568,824	$ 233,673	$ (291,244)	$ 511,253	$ 110,748
Business-type activities					
General obligation bonds	$ 1,906,000	$ -	$ (235,000)	$ 1,671,000	$ 238,000
Premium on bond	60,736	-	(7,594)	53,142	-
Net pension liability	154,226	-	(36,175)	118,051	-
OPEB liability	29,831	17,784	-	47,615	-
Accrued compensated absences	8,430	14,725	-	23,155	23,155
SBITA Liability	24,105	-	(24,105)	-	-
Business-type activities long-term liabilities	$ 2,183,328	$ 32,509	$ (302,874)	$ 1,912,963	$ 261,155

NOTE 5. NONCURRENT LIABILITIES (CONTINUED)

The annual requirements to amortize all bonds and notes payable outstanding as of September 30, 2025 are as follows:

General Obligation Bonds	Business-Type Activities		Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2026	238,000	38,553	276,553
2027	241,000	33,597	274,597
2028	245,000	28,574	273,574
2029	252,000	23,447	275,447
2030	225,000	17,475	242,475
2031-2032	470,000	14,250	484,250
Total	$ 1,671,000	$ 155,896	$ 1,826,896

Notes Payable	Governmental Activities		Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2026	90,685	15,349	106,034
2027	55,689	11,519	67,208
2028	55,971	8,455	64,426
2029	49,100	5,391	54,491
2030	51,725	2,766	54,491
Total	$ 303,170	$ 43,480	$ 346,650

NOTE 6. 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:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Updated service credit	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating
Retirement eligibility (Age/Service)	60/5, 0/20

NOTE 6. RETIREMENT PLAN (CONTINUED)

Benefits Provided (continued)

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees of beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	51
Active employees	19
	97

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 15.05% and 13.43% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $140,973, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) 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, 2024 actual valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year,
Overall payroll growth	2.75% adjusted down for population declines if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

NOTE 6. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued):

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in the 2023 and first used in the December 31, 2023 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 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	6.7%
Core Fixed Income	6%	4.7%
Non-Core Fixed Income	20%	8.0%
Other Public and Private Markets	12%	8.0%
Real Estate	12%	7.6%
Hedge Funds	5%	6.4%
Private Equity	10%	11.6%
Total	100%	

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.

NOTE 6. RETIREMENT PLAN (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 5,408,292	$ 4,898,777	$ 509,515
Changes for the year:			
Service cost	209,020	-	209,020
Interest	361,252	-	361,252
Change of benefit terms	-	-	-
Difference between expected and actual experience	(44,173)	-	(44,173)
Changes of assumptions	-	-	-
Contributions - employer	-	187,490	(187,490)
Contributions - employee	-	90,700	(90,700)
Net investment income	-	508,732	(508,732)
Benefit payment, including refunds of employee contibutions	(321,847)	(321,847)	-
Administrative expense	-	(3,264)	3,264
Other changes	-	(75)	75
Net changes	204,252	461,736	(257,484)
Balance at 12/31/2024	**$ 5,612,544**	**$ 5,360,513**	**$ 252,031**

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	$ 983,946	$ 252,031	$ (349,365)

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, 2025, the City recognized pension expense of $39,838.

NOTE 6. RETIREMENT PLAN (CONTINUED)

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 46,990	$ -
Changes in actuarial assumptions	7,271	-
Difference between projected and actual investment earnings	325,681	272,554
Contributions subsequent to the measurement date	-	96,658
Total	$ 379,942	$ 369,212

$96,658 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, 2026. 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:	
2025	$ (46,092)
2026	52,755
2027	(78,439)
2028	(35,612)
Total	$ (107,388)

NOTE 7. 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.

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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, 2024 valuation and measurement date, the following employees were covered by the benefit (OPEB) and is a fixed amount of $7,500.

Inactive employees of beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	5
Active employees	19
	41

Net OPEB Liability

The City's OPEB liability of $101,655 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

	OPEB Liability
Balance at December 31, 2023	98,552
Changes for the year:	
Service cost	6,148
Interest on Total OPEB Liability	3,754
Changes of benefit terms including TMRS plan participation	-
Difference between expected and actual experience	1,792
Changes of assumptions or other inputs	(4,493)
Benefit payments	(4,098)
Net changes	3,103
Balance at December 31, 2024	101,655

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The OPEB liability in the December 31, 2024 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	3.60% to 11.85% including inflation
Discount Rate	4.08%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables and due to the size of the City, rates are multiplied by an additional factor of 103% for males and 105% for females. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Discount Rate

The discount rate was to measure the total OPEB liability was 4.08%. The discount rate was based on Fidelity Index's "20-Bond GO Index" rate as of the measurement date.

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1- percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	$ 117,365	$ 101,655	$ 89,042

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

For the year ended September 30, 2025, the City recognized OPEB expense of $1,220.

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At September 30, 2025, 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	2,675	14,946
Difference between projected and actual investment earnings	1,392	6,412
Contributions subsequent to the measurement date	3,738	-
Total	$ 7,805	$ 21,358

$3,738 was reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2025	$ (11,196)
2026	(5,030)
2027	(776)
2028	(289)

NOTE 8. 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.

NOTE 9. 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.

NOTE 10. NEW ACCOUNTING PRONOUNCEMENTS

The GASB pronouncements effective in fiscal years 2026 and beyond are listed as follows:

GASB Statement No. 103, Financial Reporting Model Improvements (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, Disclosure of Certain Capital Assets (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 105, Subsequent Events (GASB 105), improves financial reporting related to subsequent events by 1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and non-recognized events and 2) specifies the information items that are required to be disclosed about subsequent events. The requirements of this statement are effective for reporting periods beginning after June 15, 2026, with earlier application encouraged. GASB 105 will be implemented in the City's fiscal year 2027 financial statements and the impact has not yet been determined.

NOTE 11. INTERFUND ACTIVITY

The City reported the following interfund activity during the year ended September 30, 2025 as follows:

The Enterprise Fund owes the General Fund $155,095 for funds in excess disbursed from pooled cash.

These interfund balances are expected to be repaid or collected in the normal course of business, within one year of the fiscal year-end.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, TEXAS
General Fund
Budgetary Comparison Schedule
For The Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUE				
Taxes:				
General Property	$ 1,127,024	$ 1,154,024	$ 1,170,587	$ 16,563
General Sales and Use	594,000	594,000	632,771	38,771
Franchise	160,730	176,730	172,581	(4,149)
Other	22,500	32,500	34,721	2,221
License and Permits	60,000	60,000	12,700	(47,300)
Intergovernmental	290,000	354,300	367,861	13,561
Charges for Services	691,800	697,800	714,290	16,490
Fines	91,100	94,100	97,252	3,152
Investment Earnings	57,000	68,000	79,540	11,540
Rental Income	55,568	55,568	68,765	13,197
Other Revenues	167,800	265,800	225,637	(40,163)
Total Revenues	3,317,522	3,552,822	3,576,705	23,883
EXPENDITURES				
Current:				
General Government	518,153	568,828	668,817	(99,989)
Public Safety	516,286	648,428	619,836	28,592
Highways and Streets	618,688	1,140,560	1,109,321	31,239
Airport	437,500	437,500	294,902	142,598
Sanitation	619,000	619,000	592,861	26,139
Culture and Recreation	280,473	219,708	196,213	23,495
Library	20,000	20,000	20,000	-
Debt Service:				
Principal	74,141	74,141	47,165	26,976
Interest and Fiscal Charges	14,740	14,740	4,377	10,363
Capital Outlay	69,000	69,000	276,025	(207,025)
Total Expenditures	3,167,981	3,811,905	3,829,517	(17,612)
Excess (Deficiency) of Revenues Over (Under) Expenditures	149,541	(259,083)	(252,812)	6,271
Other Financing Sources (Uses):				
Issuance of Debt	-	-	233,673	233,673
Proceeds on Sale of Assets	-	-	72,724	72,724
Total Other Financing Sources (Uses)	-	-	306,397	306,397
Net Change in Fund Balances	149,541	(259,083)	53,585	312,668
Fund Balances - Beginning	2,037,198	2,037,198	2,037,198	-
Fund Balances - Ending	$ 2,186,739	$ 1,778,115	$ 2,090,783	$ 312,668

CITY OF HAMILTON
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 10 Measurement Years

Total Pension Liability	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Service Cost	$ 150,925	$ 163,026	$ 161,419	$ 178,774	$ 189,154	$ 185,812	$ 170,216	$ 198,583	$ 212,555	$ 209,020
Interest (on the Total Pension Liability)	265,324	265,822	280,675	287,368	294,557	309,932	329,003	346,012	358,506	361,252
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(78,109)	55,343	(77,038)	(93,707)	(14,444)	74,716	39,522	(41,285)	(150,161)	(44,173)
Change of Assumptions	21,802	-	-	-	24,490	-	-	-	(48,831)	-
Benefit Payments, Including Refunds of Employee Contributions	(173,972)	(262,486)	(264,204)	(284,949)	(257,303)	(271,331)	(288,900)	(312,994)	(337,401)	(321,847)
Net Change in Total Pension Liability	185,970	221,705	100,852	87,486	236,454	299,129	249,841	190,316	34,668	204,252
Total Pension Liability - Beginning	3,801,871	3,987,841	4,209,546	4,310,398	4,397,884	4,634,338	4,933,467	5,183,308	5,373,624	5,408,292
Total Pension Liability - Ending (a)	$ 3,987,841	$ 4,209,546	$ 4,310,398	$ 4,397,884	$ 4,634,338	$ 4,933,467	$ 5,183,308	$ 5,373,624	$ 5,408,292	$ 5,612,544
Plan Fiduciary Net Position										
Contributions - Employer	$ 178,065	$ 182,273	$ 163,428	$ 180,879	$ 201,044	$ 173,194	$ 147,043	$ 172,822	$ 193,915	$ 187,490
Contributions - Employee	57,921	61,519	61,144	67,791	78,580	80,289	73,961	84,658	90,614	90,700
Net Investment Income	4,419	206,718	449,669	(109,388)	541,670	308,548	567,596	(354,017)	513,901	508,732
Benefit Payments, Including Refunds of Employee Contributions	(173,972)	(262,486)	(264,204)	(284,949)	(257,303)	(271,331)	(288,900)	(312,994)	(337,401)	(321,847)
Administrative Expense	(2,691)	(2,334)	(2,330)	(2,114)	(3,060)	(1,996)	(2,626)	(3,064)	(3,270)	(3,264)
Other	(133)	(126)	(118)	(110)	(91)	(78)	17	3,656	(23)	(75)
Net Change in Plan Fiduciary Net Position	63,609	185,564	407,589	(147,891)	560,840	288,626	497,091	(408,939)	457,736	461,736
Plan Fiduciary Net Position - Beginning	2,994,553	3,058,162	3,243,726	3,651,315	3,503,423	4,064,263	4,352,889	4,849,980	4,441,041	4,898,777
Plan Fiduciary Net Position - Ending (b)	$ 3,058,162	$ 3,243,726	$ 3,651,315	$ 3,503,424	$ 4,064,263	$ 4,352,889	$ 4,849,980	$ 4,441,041	$ 4,898,777	$ 5,360,513
Net Pension Liability - Ending (a) - (b)	$ 929,679	$ 965,820	$ 659,083	$ 894,460	$ 570,075	$ 580,578	$ 333,328	$ 932,583	$ 509,515	$ 252,031
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.69%	77.06%	84.71%	79.66%	87.70%	88.23%	93.57%	82.65%	90.58%	95.51%
Covered Employee Payroll	$ 827,441	$ 878,844	$ 873,479	$ 968,441	$ 1,122,577	$ 1,146,986	$ 1,056,585	$ 1,209,395	$ 1,294,490	$ 1,280,757
Net Pension Liability as a Percentage of Covered Employee Payroll	112.36%	109.90%	75.45%	92.36%	50.78%	50.62%	31.55%	77.11%	39.36%	19.68%

CITY OF HAMILTON
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	$ 192,056	$ 166,745	$ 163,549	$ 180,879	199,908	152,274	161,824	205,054	200,214	140,973
Contributions in Relation to the Actuarially Determined Contribution	192,056	166,745	163,549	180,879	199,908	152,274	161,824	205,054	200,214	140,973
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Covered Employee Payroll	827,441	878,844	873,479	968,441	1,122,577	1,146,986	1,056,585	1,294,490	1,280,757	1,002,707
Contributions as a Percentage of Covered Employee Payroll	23.21%	18.97%	18.72%	18.68%	17.81%	13.28%	15.32%	15.84%	15.63%	14.06%

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

Total OPEB Liability	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Service Cost	$ 2,882	$ 3,680	$ 4,041	$ 4,932	$ 4,332	$ 7,135	$ 6,731	$ 6,148
Interest on total OPEB liability	2,690	2,697	3,170	2,973	2,603	2,520	3,857	3,754
Changes of Benefit								
Terms including TMRS plan participation	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	3,611	994	1,761	(1,414)	(8,778)	(6,044)	1,792
Change in assumption or other inputs	5,209	(5,053)	15,269	15,108	3,506	(37,871)	4,727	(4,493)
Benefit payments	(699)	(1,065)	(1,235)	(1,261)	(3,487)	(3,870)	(5,178)	(4,098)
Net Change in Total OPEB Liability	10,082	3,870	22,239	23,513	5,540	(40,864)	4,093	3,103
Total OBEB Liability - Beginning	70,079	80,161	84,031	106,270	129,783	135,323	94,459	98,552
Total OPEB Liability - Ending (a)	$ 80,161	$ 84,031	$ 106,270	$ 129,783	$ 135,323	$ 94,459	$ 98,552	$ 101,655
Covered Employee Payroll	$873,479	$968,441	$1,122,577	$1,146,986	$1,056,585	$1,209,395	$1,294,490	$1,280,757
Net OPEB Liability as a Percentage of Covered Employee Payroll	9.18%	8.68%	9.47%	11.32%	12.81%	7.81%	7.61%	7.94%

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

Only eight 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.”

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	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.