

**CITY OF HAMILTON, TEXAS  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED  
SEPTEMBER 30, 2019**

**CITY OF HAMILTON, TEXAS  
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YEAR ENDED SEPTEMBER 30, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Hamilton, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above 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 of Hamilton, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *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 schedules, and budgetary comparison information on pages 4 through 10, 49 through 50, 51 and 48 be presented to supplement the basic financial statements. Such information, 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.



Stephenville, Texas  
February 4, 2020

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HAMILTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Hamilton (the City), we offer the readers of the City's financial statements this narrative overview, management discussion and analysis (MD&A) of our financial activities for the year ended September 30, 2019. 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 south 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 most recent census, 2010, documented a population increase of 158 people. Residents cite continuing growth as families and retirees move into the area from larger cities and metropolitan areas.

The City of Hamilton 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 both the city's administrator and attorney. 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 of Hamilton's financial planning and control. All departments of the City of Hamilton 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 of Hamilton 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 of Hamilton and therefore have been included as an integral part of the financial statements. The City of Hamilton 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 of Hamilton. The sanitation contract is for five years which expires December 31, 2024. The City renewed the contract with Progressive Waste for five years beginning January 1, 2020.

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

The City of Hamilton operates and maintains its entire wastewater system. A wastewater system must provide for the collection of waste from the residential and commercial sections of the city. The existing wastewater collection system that serves the City of Hamilton has been in service for many years and has been extended as necessary. The system consists mainly of vitrified clay tile (V.C.T.) sewer pipe with newer lines being PVC. Pipe sizes range in diameter from 6" up to 16," but consist mainly of 6" and 8" lines. Depth of the collection system ranges from 1' to approximately 16' depth with a medium depth of 5' to 7' in a majority of the lines. The 16" trunk sewer extends from the wastewater plant toward the City southward along Pecan Creek to Whitney Street. The majority of lines in the collection system have sufficient grades to maintain self-cleaning velocities. These lines are in "relatively" good condition. The City's wastewater collection system contains three (3) lift stations. All three (3) stations are with submersible pumps and have been constructed within the last 20 years. They are located at Jones and Elm Streets in the southeast corner of the City, at the north end of Navajo Trail in Indian Oaks and at the Wastewater Plant site. These stations are in relatively good condition and therefore no improvements to them are suggested. The manholes in the system and old clay pipe take in a large amount of water during periods of high rainfall. The existing Hamilton WWTP consists of an influent screening unit, and influent flow measurement (Parshall Flume), a grit basin, a raw water lift station, an oxidation ditch (aeration basin), three (3) final clarifiers, belt press and sludge drying beds. The existing facility was constructed in 1990 and expanded in 2009. The facility does not treat any industrial waste, and therefore does not have any special treatment facilities. The WWTP is permitted for 880,000 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., arbitrage rebate owed but not due until a future year and 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, public safety, airport, sanitation, cultural and recreation and library. The business-type activities of the City include water, wastewater and solid waste.

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

***Fund Financial Statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

The governmental fund financial statements can be found on pages 15-17 of this report.

*Proprietary funds.* The City maintains one proprietary fund, the Utility 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 19-21 of this report.

*Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

### Financial Highlights

The City's assets exceeded its liabilities at the close of September 30, 2019 by \$6.3 million of which \$5.2 million is invested in the capital assets, net of related debt. The governmental activities comprised \$3.3 million and the business-type activities comprised \$3 million of the total net position.

Unrestricted cash and investments as of September 30, 2019 were \$1.09 million in the governmental activities and \$1.06 million in the business-type activities.

The overall decrease in the City's net position for the year ended September 30, 2019 was \$105 thousand.

### City's Financial Analysis

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

#### CITY OF HAMILTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 1,606,617	\$ 1,237,907	\$ 1,244,405	\$ 1,423,853	\$ 2,851,022	\$ 2,661,760
Capital Assets	2,653,976	2,900,317	5,567,623	5,882,940	8,221,599	8,783,257
Total Assets	4,260,593	4,138,224	6,812,028	7,306,793	11,072,621	11,445,017
Deferred Outflows	237,112	89,071	144,549	84,915	381,661	173,986
Total Assets and Deferred Outflows	4,497,705	4,227,295	6,956,577	7,391,708	11,454,282	11,619,003
Current Liabilities	211,308	363,202	535,941	464,176	747,249	827,378
Non-Current Liabilities	902,274	682,590	3,396,829	3,545,144	4,299,103	4,227,734
Total Liabilities	1,113,582	1,045,792	3,932,770	4,009,320	5,046,352	5,055,112
Deferred Inflows	64,581	100,181	28,035	43,488	92,616	143,669
Total Liabilities and Deferred Inflows	1,178,163	1,145,973	3,960,805	4,052,808	5,138,968	5,198,781
Net Position:						
Net Investment in Capital Assets	2,391,972	2,529,311	2,777,623	2,903,943	5,169,595	5,433,254
Restricted:						
Court Technology	26,755	21,777	-	-	26,755	21,777
Airport Maintenance	14,603	102,741	-	-	14,603	102,741
Cemetery Maintenance	127,880	121,633	-	-	127,880	121,633
Unrestricted	758,332	305,860	218,149	434,957	976,481	740,817
Total Net Position	\$ 3,319,542	\$ 3,081,322	\$ 2,995,772	\$ 3,338,900	\$ 6,315,314	\$ 6,420,222

**CITY OF HAMILTON'S CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program Revenues:						
Fines, Fees, and Charges for Services	\$ 1,098,010	\$ 752,831	\$ 2,303,667	\$ 2,446,776	\$ 3,401,677	\$ 3,199,607
Operating Grants and Contributions	244,736	14,391	-	-	244,736	14,391
Capital Grants and Contributions	-	-	336,053	18,300	336,053	18,300
General Revenue:						
Property Taxes	770,381	711,743	-	-	770,381	711,743
Sales Tax	685,799	606,208	-	-	685,799	606,208
Franchise Taxes	157,838	149,758	-	-	157,838	149,758
Other Taxes	20,692	22,290	-	-	20,692	22,290
Investment Earnings	17,999	11,810	19,315	10,140	37,314	21,950
Miscellaneous	125,946	150,541	-	-	125,946	150,541
Total Revenues	<u>3,121,401</u>	<u>2,419,572</u>	<u>2,659,035</u>	<u>2,475,216</u>	<u>5,780,436</u>	<u>4,894,788</u>
<b>Expenses:</b>						
General Government	458,843	459,635	-	-	458,843	459,635
Public Safety	700,365	646,373	-	-	700,365	646,373
Highways and Streets	473,655	453,647	-	-	473,655	453,647
Airport	361,421	289,579	-	-	361,421	289,579
Sanitation	408,138	457,253	-	-	408,138	457,253
Culture and Recreation	249,411	199,732	-	-	249,411	199,732
Library	20,000	20,000	-	-	20,000	20,000
Economic Development	226,141	203,395	-	-	226,141	203,395
Interest on Debt	5,371	8,719	-	-	5,371	8,719
Water and Sewer	-	-	2,981,515	2,462,543	2,981,515	2,462,543
Total Expenses	<u>2,903,345</u>	<u>2,738,333</u>	<u>2,981,515</u>	<u>2,462,543</u>	<u>5,884,860</u>	<u>5,200,876</u>
<b>Change in Net Position Before Transfers</b>	218,056	(318,761)	(322,480)	12,673	(104,424)	(306,088)
<b>Transfers</b>	<u>20,164</u>	<u>-</u>	<u>(20,648)</u>	<u>-</u>	<u>(484)</u>	<u>-</u>
<b>Change in Net Position</b>	238,220	(318,761)	(343,128)	12,673	(104,908)	(306,088)
<b>Net Position, Beginning</b>	<u>3,081,322</u>	<u>3,400,083</u>	<u>3,338,900</u>	<u>3,326,227</u>	<u>6,420,222</u>	<u>6,726,310</u>
<b>Net Position, Ending</b>	<u>\$ 3,319,542</u>	<u>\$ 3,081,322</u>	<u>\$ 2,995,772</u>	<u>\$ 3,338,900</u>	<u>\$ 6,315,314</u>	<u>\$ 6,420,222</u>

The government's net position decreased by \$104,908 during the fiscal year, compared to the prior year decrease of \$306,088. Governmental activities had an increase in net position of \$238,220 compared to the prior year decrease of \$318,761. Business-type activities decreased the City's net position by \$343,128 compared to an increase in the prior year of \$12,673.

**General Fund Budgetary Highlights**

The City's General Fund operated with an original revenue budget total of \$2,507,495 and a final budget of \$2,704,295. The total expenses and other uses of the General Fund were \$32,624 less than final budgeted expenditures for the year and actual revenues were \$385,007 more than final budgeted revenues for the year. The General Fund experienced an increase in fund balance totaling \$238,998 for the year. The City Council made revisions twice to the budget approved for fiscal year 2019. The first revision was for the Utility Fund and made possible an unbudgeted transfer of money that was set aside for the local match on a sewer line replacement project.

The second revision included the Utility, General and Airport Fund. In the General Fund it showed an increase of \$122,800 due to increases in property tax, sales tax, Texas New Mexico Power franchise fees, court fines and miscellaneous income. The increase was offset by higher cost for Appraisal District services, Economic Development services, purchases of vehicles, signage, park water, insurance, contingency items, unbudgeted attorney cost, office supplies in Municipal Court, city council meeting and council travel and unbudgeted code enforcement personnel. The Utility Fund was increased for water sales to the General Fund and decreased for lab supplies. The Airport Fund was increased due to an insurance claim where the increase was spent to replace the airport beacon and fix the City's main hangar and lounge building. At year end, approximately one half of an expenditure for a sewage overflow added \$28,887 of unexpected utility expenses in FY2019 and another \$29,906 in FY2020. In the 2018-2019 Budget, property taxes were increased by 3.9% with the rollback rate of .5852 in order to provide for a fulltime animal control officer as well as other improvements. \$89,263 was retained by diverting five dollars per connection to a discretionary fund in a TXPOOL investment. The fund was created as a Road Maintenance Fee and then changed to a discretionary fund for maintenance on roads and equipment due to water and sewer line repairs. The City was at work on three Community Development Block Grants in FY2019. The majority of the work on the first, a \$293,496 CDBG with a local match of \$31,452 replacing 1601 feet of sewer line from HWY36 to Pecan Creek Park Sports Complex, was completed in FY2019. The second is a \$500,000 CDBG with a local match of \$2,349,026 which will be paid by the Hamilton Hospital District. This is a CDBG Community Enhancement Fund designated to build an ophthalmology clinic for the Hospital District. The award for the City of Hamilton to receive a third \$275,000 CDBG, wastewater treatment plant improvements, was acknowledged in FY2019 with the start date and local match of \$41,250 to roll over into FY2020.

The City also worked on two grants for the Municipal Airport through TXDOT Aviation. The first awarded in FY2018 with improvements and final inspection in FY2019 was a \$216,751.00 entrance road and apron improvement project with a local match from the City and Economic Development Corporation of \$60,624. The second, planned in FY2019, City Council passed Resolution #21-19 for a \$464,000 runway and taxiway improvements grant with a local match of \$46,400. The local match for the runway and taxiway grant will take place in FY2020.

### **Economic Factors and Next Year's Budget and Rates**

In the 2019-2020 General Fund revenues and transfers in are budgeted to decrease by \$13,315 from the 2018-2019 revised budget. Certified assessed valuations increased by 8.28% from the preceding year. During the 2019-2020 budget year, the City will make the final local match payment to complete the sewer line Community Development Block Grant. Second, the City will begin making payments on a CDBG for sewer plant improvements in FY2020. Finally, the Hospital District will start building the ophthalmology clinic from the CDBG Community Enhancement Fund which the City is managing. The City will pay a \$46,400 local match for a \$464,000 runway and taxiway improvements grant at the Hamilton Municipal Airport in FY2020. The City received a grant for \$30,291 to replace body cameras and vehicle cameras. This passthrough of funds will take place in the FY2020 budget. The unbudgeted final payment to Protect Environmental Services for a 2018-2019 sewer overflow was paid in FY2020 for \$29,905.50. Insurance claim money for the airport in the amount of \$155,958 will be invested to replace T-hangars which were damaged by a windstorm from June 9, 2019.

### **Capital Asset and Debt Administration**

Over many years, the City has invested \$24.7 million in capital assets, which, net of accumulated depreciation has a book value of \$8.2 million in a broad range of capital assets, including a fire truck and

early warning system, buildings, airport facilities, park facilities, roads, bridges and water and sewer lines. Current year additions included the following:

Sewer Line Project #7217180 (\$293,496)  
Utility Pickup (\$32,132)  
Code Vehicle - Ford Fusion (\$11,870)  
Utility Pickup Ford F-150 (\$14,000)  
Rotating Beacon (\$16,660)  
73" Roller Attachment (\$12,200)  
Dump Trailer (\$7,900)  
72" Brushcat Attachment (\$5,432)

The governmental activities debt decreased from a total of \$344 thousand to \$250 thousand. Business-type activity debt, of which \$3 million represents bonded debt backed by the full faith and credit of the City, decreased from a total of \$3.6 million to \$3.4 million during the year.

### **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 also goes to the 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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS:</b>				
Cash and Investments	\$ 1,091,685	\$ 1,058,611	\$ 2,150,296	\$ 644,709
Receivables, Net of Allowance of \$243,523 Governmental Activities and \$113,422 Business-Type Activities	213,683	121,096	334,779	-
Taxes Receivable, Net of Allowance of \$24,900	29,014	-	29,014	-
Intergovernmental Receivable	117,170	-	117,170	39,060
Other Assets	-	2,546	2,546	-
Restricted Assets:				
Cash and Investments	155,065	62,152	217,217	-
Notes Receivable	-	-	-	180,000
Capital Assets (Net of Accumulated Depreciation):				
Land and Improvements	274,875	17,578	292,453	99,600
Buildings	-	14,238	14,238	44,197
Airport	1,120,482	-	1,120,482	-
Park Improvements	367,570	-	367,570	-
Equipment	117,460	15,832	133,292	-
Equipment Under Capital Lease	157,947	-	157,947	-
Motor Vehicles	-	23,510	23,510	-
Infrastructure	603,901	5,496,465	6,100,366	-
Construction in Progress	11,741	-	11,741	-
Total Assets	<u>4,260,593</u>	<u>6,812,028</u>	<u>11,072,621</u>	<u>1,007,566</u>
<b>DEFERRED OUTFLOWS:</b>				
Deferred Loss on Refunding	-	41,625	41,625	-
Related to the TMRS pension	235,065	102,036	337,101	-
Related to the TMRS OPEB	2,047	888	2,935	-
	<u>237,112</u>	<u>144,549</u>	<u>381,661</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>4,497,705</u>	<u>6,956,577</u>	<u>11,454,282</u>	<u>1,007,566</u>
<b>LIABILITIES:</b>				
Accounts Payable and Other Current Liabilities	138,630	178,722	317,352	-
Accrued Interest Payable	5,625	37,243	42,868	-
Internal Balances	1	-	1	-
Customer Deposits	-	62,152	62,152	-
Noncurrent Liabilities:				
Due Within One Year	67,052	257,824	324,876	-
Due in More than One Year	183,211	3,087,821	3,271,032	-
Accrued Compensated Absences	36,754	12,826	49,580	-
Net OPEB Liability	58,595	25,436	84,031	-
Net Pension Liability	623,714	270,746	894,460	-
Total Liabilities	<u>1,113,582</u>	<u>3,932,770</u>	<u>5,046,352</u>	<u>-</u>
<b>DEFERRED INFLOWS:</b>				
Related to the TMRS OPEB	591	257	848	-
Related to the TMRS pension	63,990	27,778	91,768	-
Total Liabilities and Deferred Inflows	<u>1,178,163</u>	<u>3,960,805</u>	<u>5,138,120</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,391,972	2,777,623	5,169,595	-
Restricted For:				
Court Technology	26,755	-	26,755	-
Airport Maintenance	14,603	-	14,603	-
Cemetery Maintenance	127,880	-	127,880	-
Economic Development	-	-	-	1,007,566
Unrestricted	758,332	218,149	976,481	-
Total Net Position	<u>\$ 3,319,542</u>	<u>\$ 2,995,772</u>	<u>\$ 6,315,314</u>	<u>\$ 1,007,566</u>

The accompanying notes are an integral part of this statement.

**CITY OF HAMILTON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
General Government	\$ 458,843	\$ 92,988	\$ -	\$ -	\$ (365,855)	\$ -	\$ (365,855)	\$ -
Public Safety	700,365	251,944	-	-	(448,421)	-	(448,421)	-
Highways and Streets	473,655	-	-	-	(473,655)	-	(473,655)	-
Airport	361,421	114,820	244,736	-	(1,865)	-	(1,865)	-
Sanitation	408,138	563,149	-	-	155,011	-	155,011	-
Culture and Recreation	249,411	8,377	-	-	(241,034)	-	(241,034)	-
Library	20,000	-	-	-	(20,000)	-	(20,000)	-
Economic Development and Assistance	226,141	66,732	-	-	(159,409)	-	(159,409)	-
Interest on Long-Term Debt	5,371	-	-	-	(5,371)	-	(5,371)	-
Total Governmental Activities	<u>2,903,345</u>	<u>1,098,010</u>	<u>244,736</u>	<u>-</u>	<u>(1,560,599)</u>	<u>-</u>	<u>(1,560,599)</u>	<u>-</u>
Business-type Activities:								
Water and Sewer	2,981,515	2,303,667	-	336,053.00	-	(341,795)	(341,795)	-
Total Business-Type Activities	<u>2,981,515</u>	<u>2,303,667</u>	<u>-</u>	<u>336,053.00</u>	<u>-</u>	<u>(341,795)</u>	<u>(341,795)</u>	<u>-</u>
Total Primary Government	<u>\$ 5,884,860</u>	<u>\$ 3,401,677</u>	<u>\$ 244,736</u>	<u>\$ 336,053.00</u>	<u>(1,560,599)</u>	<u>(341,795)</u>	<u>(1,902,394)</u>	<u>-</u>
<b>COMPONENT UNIT:</b>								
Economic Development Corporation	<u>\$ 188,625</u>	<u>\$ -</u>	<u>\$ 226,441</u>	<u>\$ 293,409</u>				<u>331,225</u>
Taxes:								
Property					770,381	-	770,381	-
Sales					685,799	-	685,799	-
Franchise					157,838	-	157,838	-
Other					20,692	-	20,692	-
Investment Earnings					17,999	19,315	37,314	4,771
Miscellaneous					125,946	(484)	125,462	-
Transfers					20,164	(20,164)	-	-
Total General Revenues and Transfers					<u>1,798,819</u>	<u>(1,333)</u>	<u>1,797,486</u>	<u>4,771</u>
Change in Net Position					238,220	(343,128)	(104,908)	335,996
Net Position - Beginning					<u>3,081,322</u>	<u>3,338,900</u>	<u>6,420,222</u>	<u>671,570</u>
Net Position - Ending					<u>\$ 3,319,542</u>	<u>\$ 2,995,772</u>	<u>\$ 6,315,314</u>	<u>\$ 1,007,566</u>

The accompanying notes are an integral part of this statement.

**CITY OF HAMILTON, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Assets:			
Cash and Investments	\$ 1,090,017	\$ 1,668	\$ 1,091,685
Receivables, Net of Allowance of \$1,747	85,527	-	85,527
Taxes Receivable, Net of Allowance of \$27,614	29,014	-	29,014
Due from Other Governments	117,170	-	117,170
Restricted Assets:			
Cash and Investments	<u>155,065</u>	<u>-</u>	<u>155,065</u>
Total Assets and Other Debits	<u>\$ 1,476,793</u>	<u>\$ 1,668</u>	<u>\$ 1,478,461</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 64,575	\$ -	\$ 64,575
State Sales Tax Payable	39,060	-	39,060
Contract Amounts Payable	1	-	1
Accrued Liabilities Payable	<u>34,994</u>	<u>-</u>	<u>34,994</u>
Total Liabilities	<u>138,630</u>	<u>-</u>	<u>138,630</u>
Deferred Inflows:			
Deferred Property Taxes	<u>29,014</u>	<u>-</u>	<u>29,014</u>
Fund Balances:			
Restricted	169,238	-	169,238
Unassigned	<u>1,139,911</u>	<u>1,668</u>	<u>1,141,579</u>
Total Fund Balance	<u>1,309,149</u>	<u>1,668</u>	<u>1,310,817</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,476,793</u>	<u>\$ 1,668</u>	<u>\$ 1,478,461</u>

**CITY OF HAMILTON**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet	\$ 1,310,817
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	2,653,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not deferred in the funds.	157,170
Long-term liabilities, including capital leases and notes payable and the related interest payable are not due and payable in the current period and therefore are not reported in the fund financial statements	(292,642)
Included in noncurrent liabilities is the recognition of the City's net pension liability in the amount of \$ 623,715, a deferred resource outflow related to related to TMRS of \$ 235,065, and a deferred resource inflow related to TMRS of \$ 63,990.	(452,639)
Included in noncurrent liabilities is the recognition of the City's net OPEB liability in the amount of \$ 58,595, a deferred resource outflow related to the OPEB of \$ 2,047, and a deferred resource inflow related to the OPEB of \$ 591.	(57,140)
Net position of governmental activities	<u>\$ 3,319,542</u>

**CITY OF HAMILTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	Capital Improvements Fund	Total Governmental Funds
<b>REVENUE</b>			
Taxes:			
General Property	\$ 767,711	\$ -	\$ 767,711
General Sales and Use	685,799	-	685,799
Franchise	157,838	-	157,838
Other Taxes	20,692	-	20,692
License and Permits	7,713	-	7,713
Intergovernmental	244,736	-	244,736
Charges for Services	578,363	-	578,363
Component Unit Leased Employee Income	66,732	-	66,732
Fines	213,431	-	213,431
Investment Earnings	17,999	14	18,013
Rental Income	46,814	-	46,814
Other Revenues	281,474	-	281,474
Total revenues	<u>3,089,302</u>	<u>14</u>	<u>3,089,316</u>
<b>EXPENDITURES</b>			
Current:			
General Government	435,880	-	435,880
Public Safety	658,806	-	658,806
Highways and Streets	423,408	-	423,408
Airport	202,969	-	202,969
Sanitation	408,138	-	408,138
Culture and Recreation	196,863	-	196,863
Library	20,000	-	20,000
Economic Development and Assistance	226,141	-	226,141
Debt Service:			
Principal	93,596	-	93,596
Interest and Fiscal Charges	10,122	-	10,122
Capital Outlay	30,736	-	30,736
Total Expenditures	<u>2,706,659</u>	<u>-</u>	<u>2,706,659</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over (Under) Expenditures</b>	<u>382,643</u>	<u>14</u>	<u>382,657</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In (out)	(143,645)	163,809	20,164
Proceeds From Debt	-	-	-
Total Other Financing Sources (Uses)	<u>(143,645)</u>	<u>163,809</u>	<u>20,164</u>
<b>Net Change in Fund Balances</b>	238,998	163,823	402,821
<b>Fund Balances - Beginning</b>	1,070,151	(162,155)	907,996
<b>Fund Balances - Ending</b>	<u>\$ 1,309,149</u>	<u>\$ 1,668</u>	<u>\$ 1,310,817</u>

**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, 2019

**Net change in fund balances - total governmental funds** \$ 402,821

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period. (246,341)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 32,085

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. 93,703

Net pension and OPEB liabilities as well as the related deferred inflows and outflows of resources generated from those liabilities are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount. (39,085)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and recognitions is to decrease net position. (4,963)

**Change in net position of governmental activities** \$ 238,220

**CITY OF HAMILTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2019**

	Enterprise Fund
	Water and Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
Cash and Investments	\$ 1,058,611
Receivables, Net of Allowance of \$113,422	121,096
Due from other funds	-
Other Assets	2,546
<b>Total Current Assets</b>	<b>1,182,253</b>
Noncurrent Assets:	
Restricted Cash and Investments:	
Customer Deposits	62,152
Capital Assets:	
Land	17,578
Building	25,499
Infrastructure	13,644,580
Machinery and Equipment	1,433,701
Less Accumulated Depreciation	(9,553,735)
Total Noncurrent Assets	5,629,775
Total Assets	6,812,028
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Loss on Refunding	41,625
Related to the TMRS pension	102,036
Related to the TMRS OPEB	888
Total Deferred Outflows of Resources	144,549
Total Assets and Deferred Outflows of Resources	<b>6,956,577</b>

**CITY OF HAMILTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2019**

	Enterprise Fund
	Water and Sewer Fund
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	172,744
Other Current Liabilities	5,978
Accrued Interest Payable	37,243
Equipment Loan Payable - Current	68,824
Certificate of Obligation Payable - Current	20,000
Revenue Bonds Payable - Current	169,000
	473,789
Total Current Liabilities	
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	62,152
	62,152
Total Current Liabilities Payable from Restricted Assets	
Noncurrent Liabilities:	
Equipment Loan Payable - Net of Current	297,821
Certificate of Obligation Payable - Net of Current	1,013,000
Revenue Bonds Payable - Net of Current	1,777,000
Net Pension Liability	270,746
Net OPEB liability	25,436
Accrued Compensated Absences	12,826
	3,396,829
Total Noncurrent Liabilities	
Total Liabilities	3,932,770
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to TMRS pension	27,778
Related to TMRS OPEB	257
	3,960,805
Total Liabilities and Deferred Inflows of Resources	
<b>NET POSITION:</b>	
Investment in Capital Assets	2,777,623
Unrestricted	218,149
	2,995,772
Total Net Position	\$ 2,995,772

**CITY OF HAMILTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Enterprise Fund
	Water and Sewer
	Fund
<b>OPERATING REVENUES:</b>	
Charges for Sales and Services:	
Water Sales	\$ 1,705,919
Sewer Sales	530,925
Tap Fees	27,803
Other Services	39,020
Total Operating Revenues	2,303,667
<b>OPERATING EXPENSES:</b>	
Personnel Services - Salaries, Wages and Benefits	446,779
Other Purchased Services	216,890
Water and Chemicals Costs	1,202,233
Repairs and maintenance	181,816
Depreciation	328,254
Utilities	74,559
Property	390,371
Bad Debt Expense	250
Total Operating Expenses	2,841,152
Operating Income (Loss)	(537,485)
<b>Non-operating Revenues (Expenses)</b>	
Grant Revenue	336,053
Interest Revenue	19,315
Interest Expense	(140,363)
Total Non-operating Revenues (Expenses)	215,005
<b>Transfers</b>	
Transfers Out	20,648
Total Transfers	(20,648)
<b>Change in Net Position</b>	(343,128)
<b>Net position - Beginning</b>	3,338,900
<b>Net position - Ending</b>	\$ 2,995,772

**CITY OF HAMILTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Enterprise Fund Water and Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 2,476,881
Cash Payments to Other Suppliers for Goods and Services	(2,146,787)
Cash Payments to Employees for Services	(281,468)
Net Cash Provided by Operating Activities	48,626
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash Received on Loans to Other Funds	-
Interfund Transfer	(484)
Net Cash Used in Operating Activities	(484)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal Repayment on Debt	(247,708)
Interest and Fiscal Charges on Debt	(133,225)
Proceeds from Long-Term Debt	-
Acquisition or Construction of Capital Assets	(12,935)
Proceeds from Capital Improvement Grant	336,053
Net Cash Used in Capital and Related Financing Activities	(57,815)
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	19,315
Net Cash Provided by Investing Activities	19,315
<b>Net Increase in Cash and Cash Equivalents</b>	9,642
<b>Cash and Cash Equivalents at Beginning of Year</b>	1,111,121
<b>Cash and Cash Equivalents at End of Year</b>	\$ 1,120,763
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (537,485)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and Amortization	328,254
Change in Assets, Liabilities, Deferred Inflows, and Deferred Outflows:	
Decrease (Increase) in Receivables	168,924
Decrease (Increase) in Deferred Outflows TMRS	(102,036)
Decrease (Increase) in Deferred Outflows OPEB	(888)
Increase (Decrease) in Accounts Payable	71,569
Increase (Decrease) in Accrued Expenses	(16,723)
Increase (Decrease) in Accrued Compensated Absences	12,826
Increase (Decrease) in Customer Deposits	4,290
Increase (Decrease) in Net Pension Liability	71,247
Increase (Decrease) in Deferred Inflows TMRS	22,955
Increase (Decrease) in Deferred Inflows OPEB	257
Net OPEB Liability	25,436
Total Adjustments	586,111
Net Cash Provided by Operating Activities	\$ 48,626
Cash and investments	1,058,611
Restricted cash and investments	62,152
Total Cash	1,120,763

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies**

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

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

**A. The Reporting Entity**

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

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

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

**Included as part of the reporting entity:**

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

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

**A. The Reporting Entity (continued)**

**Excluded from the reporting entity:**

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

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

**B. Basis of Presentation**

**Government -wide Statements:**

The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

**Fund Financial Statements:**

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There were no other funds to be aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major Governmental funds:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The ***Capital Improvements Fund*** accounts for major capital expenditures not financed by the Enterprise Fund.

The City reports the following major Enterprise fund:

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

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

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

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

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

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

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

**D. Budgetary Control**

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

1. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an Ordinance.
4. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund. A budget is legally adopted for the General Fund and Enterprise Fund.

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

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

**D. Budgetary Control (continued)**

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

All appropriations lapse on September 30 of the fiscal year.

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

**E. Cash and Investments**

*Cash and Cash Equivalents* - 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. Restricted cash assets are not included as cash equivalents.

*Investments* - 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, 2019, the City did not have any investments with a maturity greater than one year when purchased.

**F. Capital Assets**

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

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

Water and sewer systems	40 years
Buildings and other improvements	20 - 40 years
Machinery and equipment	5 - 10 years
Motor vehicles	5 years

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

**G. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has several items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred outflows of resources and deferred inflows of resources related to pensions and pension expense have resulted in deferred inflows of \$64,247 and deferred outflows of \$337,101. Deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have resulted in deferred inflows of \$28,369 and deferred outflows of \$2,935.

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

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

**I. Pensions**

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

**J. Fund Balance and Net Position**

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

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

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

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies (continued)**

**J. Fund Balance and Net Position (continued)**

Net position represents the difference between assets 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 position will be fully utilized first followed by unrestricted as necessary.

**K. Use of Estimates**

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

**L. Postemployment Benefits Other Than Pensions (OPEB)**

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

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**II. Deposits and Short-Term Investments**

Cash and investments as of September 30, 2019 consist of the following:

	Cash Deposits Carrying Amount	TexPool
Government activities:		
General fund	\$ 603,979	\$ 641,103
Capital projects fund	1,668	-
Business-type activity:		
Water and sewer fund	630,909	489,854
Total	\$ 1,236,556	\$ 1,130,957

**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, 2019, the City had investments in TexPool totaling \$1,130,957 which had a weighted average maturity of 28 days. As of September 30, 2019, 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, 2019 was AAAM.

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2019, other than external investment pools, the City did not have 5% or more of its investments with one issuer.

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**II. Deposits and Short-Term Investments (Continued)**

**Custodial Credit Risk**

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

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

At September 30, 2019, the bank balance of the City's cash and deposits was \$1,236,556. \$250,000 of the bank balance at two different financial institutions was covered by depository insurance under the FDIC, with and the remaining balance was secured with securities held by pledging financial institutions.

**Investment in State Investment Pools**

The City is a voluntary participant in the TexPool external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 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](http://www.ttstc.org). There are no limitations or restrictions on withdrawals.

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**III. 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, 2019 was \$24,900 for the general fund.

**IV. Capital Assets**

Capital assets activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 274,875	\$ -	\$ -	\$ 274,875
Construction in progress	-	11,741	-	11,741
Total assets not being depreciated	<u>274,875</u>	<u>11,741</u>	<u>-</u>	<u>286,616</u>
Capital assets, being depreciated:				
Buildings	135,515	-	-	135,515
Airport	4,668,804	-	-	4,668,804
Park improvements	1,029,547	-	-	1,029,547
Equipment	698,415	57,267	-	755,682
Equipment under capital lease	773,646	-	-	773,646
Infrastructure	1,955,262	10,560	-	1,965,822
Total capital assets being depreciated	<u>9,261,189</u>	<u>67,827</u>	<u>-</u>	<u>9,329,016</u>
Accumulated depreciation:				
Buildings	135,515	-	-	135,515
Airport	3,444,824	103,499	-	3,548,323
Park improvements	610,499	51,477	-	661,976
Equipment	582,833	55,388	-	638,221
Equipment under capital lease	572,265	43,435	-	615,700
Streets and bridges	1,289,811	72,110	-	1,361,921
Total accumulated depreciation	<u>6,635,747</u>	<u>325,909</u>	<u>-</u>	<u>6,961,656</u>
Total capital assets being depreciated, net	<u>2,625,442</u>	<u>(258,082)</u>	<u>-</u>	<u>2,367,360</u>
Governmental activities capital assets, net	<u>\$ 2,900,317</u>	<u>\$ (246,341)</u>	<u>\$ -</u>	<u>\$ 2,653,976</u>

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**IV. Capital Assets (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,578	\$ -	\$ -	\$ 17,578
Construction in progress	-	-	-	-
Total assets not being depreciated	<u>17,578</u>	<u>-</u>	<u>-</u>	<u>17,578</u>
Capital assets, being depreciated:				
Building	25,500	-	-	25,500
Infrastructure	13,644,580	-	-	13,644,580
Equipment	614,099	-	-	614,099
Equipment under capital lease	722,791	-	-	722,791
Motor vehicles	83,876	12,935	-	96,811
Total capital assets being depreciated	<u>15,090,846</u>	<u>12,935</u>	<u>-</u>	<u>15,103,781</u>
Accumulated depreciation:				
Building	10,626	638	-	11,264
Infrastructure	7,831,976	316,139	-	8,148,115
Equipment	590,678	7,586	-	598,264
Equipment under capital lease	722,791	-	-	722,791
Motor vehicles	69,410	3,892	-	73,302
Total accumulated depreciation	<u>9,225,481</u>	<u>328,255</u>	<u>-</u>	<u>9,553,736</u>
Total capital assets being depreciated, net	<u>5,865,365</u>	<u>(315,320)</u>	<u>-</u>	<u>5,550,045</u>
Business-type activities capital assets, net	<u>\$ 5,882,943</u>	<u>\$ (315,320)</u>	<u>\$ -</u>	<u>\$ 5,567,623</u>

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

Governmental Activities:	
General government	\$ 722
Public safety	38,377
Highways and streets	68,706
Culture and recreation	47,911
Airport	170,193
Total depreciation expense - governmental activities	<u>\$ 325,909</u>
Business-type Activities:	
Water and sewer system	\$ 328,255
Total depreciation expense - business-type activities	<u>\$ 328,255</u>

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**V. Long-term Debt**

At September 30, 2019, the City's bonds and notes payable consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
2006 Certificates of Obligation Bonds due in annual installments through 2046, bearing interest at a rate of 4.125%	\$ -	\$ 1,033,000
2013 General Obligation Refunding Bonds due in annual installments through 2029, bearing interest at a rate of 3.58%	-	1,946,000
Note payable to a financial institution in annual installments of \$80,450 through 2024 including interest at a rate of 3.170%, secured by property financed	-	366,645
Note payable to a financial institution in annual installments of \$30,279 through 2022 including interest at a rate of 4.058%, secured by property financed	83,935	-
	<u>\$ 83,935</u>	<u>\$ 3,345,645</u>

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2019:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
	<u>9/30/2018</u>			<u>9/30/2019</u>	
Governmental activities:					
Capital leases	\$ 205,606	\$ -	\$ 39,278	\$ 166,328	\$ 40,179
Notes payable	138,360	-	54,425	83,935	26,873
Accrued compensated absences	27,041	9,713	-	36,754	-
Governmental activities long-term liabilities	<u>\$ 371,007</u>	<u>\$ 9,713</u>	<u>\$ 93,703</u>	<u>\$ 287,017</u>	<u>\$ 67,052</u>
Business-type activities:					
Revenue bonds	\$ 2,107,000	\$ -	\$ 161,000	\$ 1,946,000	\$ 169,000
Certificate of obligation payable	1,053,000	-	20,000	1,033,000	20,000
Notes payable - equipment	433,353	-	66,708	366,645	68,824
Accrued compensated absences	14,222	-	1,396	12,826	-
Business-type activities long-term liabilities	<u>\$ 3,607,575</u>	<u>\$ -</u>	<u>\$ 249,104</u>	<u>\$ 3,358,471</u>	<u>\$ 257,824</u>

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**V. Long-term Debt (continued)**

The annual requirements to amortize all bonds and notes payable outstanding as of September 30, 2019 are as follows:

Revenue Bonds Due Fiscal Year Ending September 30	Business-Type Principal	Activities Interest	Total Requirements
2020	169,000	66,642	235,642
2021	172,000	60,538	232,538
2022	179,000	54,255	233,255
2023	182,000	47,793	229,793
2024	189,000	41,152	230,152
2025-2029	1,055,000	97,143	1,152,143
Total	<u>\$ 1,946,000</u>	<u>\$ 367,523</u>	<u>\$ 2,313,523</u>

Certificates of Obligation Due Fiscal Year Ending September 30	Business-Type Principal	Activities Interest	Total Requirements
2020	20,000	46,035	66,035
2021	21,000	45,112	66,112
2022	22,000	44,145	66,145
2023	23,000	43,133	66,133
2024	24,000	42,075	66,075
2025-2029	139,000	192,578	331,578
2030-2044	174,000	157,500	331,500
2035-2039	215,000	113,963	328,963
2040-2044	269,000	59,738	328,738
2045-2046	126,000	5,760	131,760
Total	<u>\$ 1,033,000</u>	<u>\$ 750,039</u>	<u>\$ 1,783,039</u>

Note Payable - Equipment Due Fiscal Year Ending September 30	Business-Type Principal	Activities Interest	Total Requirements
2020	68,824	11,626	80,450
2021	71,006	9,444	80,450
2022	73,257	7,192	80,449
2023	75,581	4,869	80,450
2024	77,977	2,473	80,450
Total	<u>\$ 366,645</u>	<u>\$ 35,604</u>	<u>\$ 402,249</u>

Notes Payable Due Fiscal Year Ending September 30	Governmental Principal	Activities Interest	Total Requirements
2020	67,052	7,221	74,273
2021	69,064	5,209	74,273
2022	71,141	3,131	74,272
2023	43,007	986	43,993
Total	<u>\$ 250,264</u>	<u>\$ 16,547</u>	<u>\$ 266,811</u>

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**VI. Capital Leases**

The City has entered into a capital lease agreement. The leased property under capital lease is classified as equipment with a total capitalized cost of \$389,224 and amortized value of approximately \$157,946 at September 30, 2019. Amortization expense has been included in depreciation expense for the year ended September 30, 2019.

The following is a schedule of future minimum payments under the capital leases together with the present value of the minimum lease payments as of September 30, 2019:

Year Ending September 30	
2020	43,993
2021	43,993
2022	43,993
2023	43,993
Thereafter	-
Total payments	175,972
Less amount representing interest	14,359
Present value of net minimum lease payments	\$ 161,613

**VII. Retirement Plan**

**Plan Description**

The City of Hamilton participates as one of 883 plans in the 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 comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.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.

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**VII. Retirement Plan (continued)**

**Benefits Provided (continued)**

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:

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating
Retirement eligibility (Age/Service)	60/5, 0/20	60/5, 0/20
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2018</u>
Inactive employees of beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>30</u>
	<u><u>75</u></u>

**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.

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**VII. Retirement Plan (continued)**

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 18.90% and 18.14% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$201,438, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) is used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions:***

The Total Pension Liability in the December 31, 2018 actual valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**VII. Retirement Plan (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

***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.

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**VII. Retirement Plan (continued)**

*Changes in the Net Pension Liability*

	<b>Increase (Decrease)</b>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	\$ 4,310,398	\$ 3,651,315	\$ 659,083
Changes for the year:			
Service cost	178,774	-	178,774
Interest	287,368	-	287,368
Change of benefit terms	-	-	-
Difference between expected and actual experience	(93,707)	-	(93,707)
Changes of assumptions	-	-	-
Contributions - employer	-	180,879	(180,879)
Contributions - employee	-	67,791	(67,791)
Net investment income	-	(109,388)	109,388
Benefit payment, including refunds of employee contributions	(284,949)	(284,949)	-
Administrative expense	-	(2,114)	2,114
Other changes	-	(110)	110
Net changes	87,486	(147,891)	235,377
<b>Balance at 12/31/2018</b>	<b>\$ 4,397,884</b>	<b>\$ 3,503,424</b>	<b>\$ 894,460</b>

*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:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability	\$ 1,480,883	\$ 894,461	\$ 413,160

*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.tmr.com](http://www.tmr.com).

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**VII. Retirement Plan (continued)**

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

For the year ended September 30, 2019, the City recognized pension expense of \$182,256.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 91,768
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	187,172	
Contributions subsequent to the measurement date	149,931	-
Total	\$ 337,103	\$ 91,768

\$149,931 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2019	\$ 33,532
2020	(20,255)
2021	10,956
2022	71,171
2023	-
Thereafter	-

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**VIII. 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. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

**Benefits**

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

**Employees Covered By Benefit Terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit (OPEB) and is a fixed amount of \$7,500.

	2018
Inactive employees of beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	3
Active employees	30
	47

**Net OPEB Liability**

The City's net OPEB liability of \$ 84,031 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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

**Actuarial Assumptions**

The net OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Overall payroll growth	3.5% to 10.5% including inflation
Discount Rate	3.71%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103% and due to the size of the City, rates are multiplied by an additional factor for 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rate multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

	<u>Net OPEB Liability</u>
Balance at December 31, 2017	80,161
Changes for the year:	
Service cost	3,680
Interest	2,697
Changes of benefit terms	-
Difference between expected and actual experience	3,611
Changes of assumptions or other inputs	(5,053)
Benefit payments	(1,065)
Net changes	<u>3,870</u>
Balance at December 31, 2018	<u><u>84,031</u></u>

**Discount Rate**

The discount rate used to measure the net OPEB liability was 3.71%. The discount rate was based on Fidelity Index's "20 – Year Municipal GO AA Index" rate as of the measurement date.

**CITY OF HAMILTON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage -point lower (2.71%) or 1- percentage -point higher (4.71%) than the current rate:

	<b>1% Decrease in Discount Rate (2.71%)</b>	<b>Discount Rate (3.71%)</b>	<b>1% Increase in Discount Rate (4.71%)</b>
Total OPEB liability	\$ 97,410	\$ 84,031	\$ 73,371

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$ 81,944.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	848
Difference between projected and actual investment earnings	2,935	-
Contributions subsequent to the measurement date	-	-
Total	\$ 2,935	\$ 848

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

<b>Year ended December 31:</b>	
2019	\$ 705
2020	705
2021	705
2022	64
2023	(92)
Thereafter	-

**CITY OF HAMILTON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**IX. Commitments**

The City entered into a 40-year contract with the Upper Leon River Municipal Water District (ULRMWD) which allows purchase of up to 300 million gallons per year, not to exceed 2.31 million gallons per day during peak usage periods. The City may request additional water if the need arises with 60-days notification by the District that they are in agreement with revised terms. These provisions leave room for growth of the City's water system.

The City is required to continue maintenance of the federally subsidized airport in future years. All revenues generated by the airport are required to be utilized for maintenance and operations of the airport. The airport maintenance expenditures for the year ended September 30, 2019 totaled \$202,958. The revenues generated by the airport property and services for the year totaled \$114,820. As a result, there is an accumulated restricted fund balance of \$14,603 for airport operations as of September 30, 2019.

**X. Tax Abatements**

There were no tax abatements authorized by the City during 2019.

**XI. Risk Management**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAMILTON, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUE</b>				
Taxes:				
General Property	\$ 716,000	\$ 761,000	\$ 767,711	\$ 6,711
General Sales and Use	585,250	616,250	685,799	69,549
Franchise	157,100	162,100	157,838	(4,262)
Other	19,000	19,000	20,692	1,692
License and Permits	12,000	12,000	7,713	(4,287)
Intergovernmental	5,000	79,000	244,736	165,736
Charges for Services	571,000	571,000	578,363	7,363
Component Unit Leased Employee Income	63,075	63,075	66,732	3,657
Fines	102,000	108,000	213,431	105,431
Investment Earnings	300	300	17,999	17,699
Rental Income	45,645	45,645	46,814	1,169
Other Revenues	231,125	266,925	281,474	14,549
Total Revenues	<u>2,507,495</u>	<u>2,704,295</u>	<u>3,089,302</u>	<u>385,007</u>
<b>EXPENDITURES</b>				
Current:				
General Government	402,180	439,830	435,880	3,950
Public Safety	716,408	744,558	658,806	85,752
Highways and Streets	410,860	444,860	423,408	21,452
Airport	91,628	165,628	202,969	(37,341)
Sanitation	400,000	400,000	408,138	(8,138)
Culture and Recreation	183,500	190,500	196,863	(6,363)
Library	20,000	20,000	20,000	-
Economic Development	190,000	206,000	226,141	(20,141)
Debt Service:				
Principal	99,192	99,192	93,596	5,596
Interest and Fiscal Charges	4,715	4,715	10,122	(5,407)
Capital Outlay	24,000	24,000	30,736	(6,736)
Total Expenditures	<u>2,542,483</u>	<u>2,739,283</u>	<u>2,706,659</u>	<u>32,624</u>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	<u>(34,988)</u>	<u>(34,988)</u>	<u>382,643</u>	<u>417,631</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In from Other Funds	(143,645)	(143,645)	(143,645)	-
Transfers Out to Other Funds	-	-	-	-
Proceeds From Debt	-	-	-	-
Total Other Financing Sources (Uses)	<u>(143,645)</u>	<u>(143,645)</u>	<u>(143,645)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(178,633)	(178,633)	238,998	417,631
<b>Fund Balances - Beginning</b>	1,070,151	1,070,151	1,070,151	-
<b>Fund Balances - Ending</b>	<u>\$ 891,518</u>	<u>\$ 891,518</u>	<u>\$ 1,309,149</u>	<u>\$ 417,631</u>

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

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Service Cost	\$ 96,732	\$ 150,925	\$ 163,026	\$ 161,419	\$ 178,774
Interest (on the Total Pension Liability)	254,762	265,324	265,822	280,675	287,368
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	(37,538)	(78,109)	55,343	(77,038)	(93,707)
Change of Assumptions	-	21,802	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(206,356)	(173,972)	(262,486)	(264,204)	(284,949)
<b>Net Change in Total Pension Liability</b>	<b>107,600</b>	<b>185,970</b>	<b>221,705</b>	<b>100,852</b>	<b>87,486</b>
<b>Total Pension Liability - Beginning</b>	<b>3,694,271</b>	<b>3,801,871</b>	<b>3,987,841</b>	<b>4,209,546</b>	<b>4,310,398</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$3,801,871</b>	<b>\$3,987,841</b>	<b>\$4,209,546</b>	<b>\$4,310,398</b>	<b>\$4,397,884</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 141,764	\$ 178,065	\$ 182,273	\$ 163,428	\$ 180,879
Contributions - Employee	45,038	57,921	61,519	61,144	67,791
Net Investment Income	163,193	4,419	206,718	449,669	(109,388)
Benefit Payments, Including Refunds of Employee Contributions	(206,356)	(173,972)	(262,486)	(264,204)	(284,949)
Administrative Expense	(1,704)	(2,691)	(2,334)	(2,330)	(2,114)
Other	(140)	(133)	(126)	(118)	(110)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>141,795</b>	<b>63,609</b>	<b>185,564</b>	<b>407,589</b>	<b>(147,891)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>2,852,758</b>	<b>2,994,553</b>	<b>3,058,162</b>	<b>3,243,726</b>	<b>3,651,315</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$2,994,553</b>	<b>\$3,058,162</b>	<b>\$3,243,726</b>	<b>\$3,651,315</b>	<b>\$3,503,424</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 807,318</b>	<b>\$ 929,679</b>	<b>\$ 965,820</b>	<b>\$ 659,083</b>	<b>\$ 894,460</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>78.77%</b>	<b>76.69%</b>	<b>77.06%</b>	<b>84.71%</b>	<b>79.66%</b>
<b>Covered Employee Payroll</b>	<b>\$ 643,400</b>	<b>\$ 827,441</b>	<b>\$ 878,844</b>	<b>\$ 873,479</b>	<b>\$ 968,441</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>125.48%</b>	<b>112.36%</b>	<b>109.90%</b>	<b>75.45%</b>	<b>92.36%</b>

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

**CITY OF HAMILTON**  
**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 174,798	\$ 192,056	\$ 166,745	\$ 163,549	\$ 180,879
Contributions in Relation to the Actuarially Determined Contribution	174,798	192,056	166,745	163,549	180,879
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	643,400	827,441	878,844	873,479	968,441
Contributions as a Percentage of Covered Employee Payroll	27.17%	23.21%	18.97%	18.72%	18.68%

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

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

<b>Total Pension Liability</b>	<b>2017</b>	<b>2018</b>
Service Cost	\$ 2,882	\$ 3,680
Interest on total OPEB liability	2,690	2,697
Changes of Benefit Terms including TMRS plan participation	-	-
Difference between expected and actual experience		3,611
Change in assumption or other inputs	5,209	(5,053)
Benefit payments	<u>(699)</u>	<u>(1,065)</u>
<b>Net Change in Total Pension Liability</b>	10,082	3,870
<b>Total Pension Liability - Beginning</b>	<u>70,079</u>	<u>80,161</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 80,161</u></u>	<u><u>\$ 84,031</u></u>
<b>Covered Employee Payroll</b>	\$ 873,479	\$ 968,441
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	9.18%	8.68%

**CITY OF HAMILTON, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2019**

**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	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.