

CITY OF HAMILTON, MISSOURI

FINANCIAL STATEMENTS

JUNE 30, 2019



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS



CITY OF HAMILTON, MISSOURI
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**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen
City of Hamilton, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hamilton, Missouri, as of and for the year ended June 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 from 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 auditors' 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, each major fund, and the aggregate remaining fund information of the City of Hamilton, Missouri, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11 and the budgetary comparison information on pages 46 - 49 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hamilton, Missouri's basic financial statements. The nonmajor governmental funds - combining balance sheet and the nonmajor governmental funds - combining statement of revenues, expenditures, and changes in fund balance on pages 50 - 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds - combining balance sheet and the nonmajor governmental funds - combining statement of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2019, on our consideration of the City of Hamilton, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hamilton, Missouri's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

Grandview, Missouri
November 29, 2019

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hamilton, Missouri's annual financial report presents a review of the City's financial performance during the year ended June 30, 2019. Reporting is in compliance with Government Accounting Standards Board (GASB) Statement Number 34, providing comparative information for the current and preceding fiscal years. Please read this in conjunction with the City's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide net position as of June 30, 2019, was \$5,845,056, an increase of \$334,587 from the prior year.

As of June 30, 2019, the fund balances for the governmental funds totaled \$1,028,861, a decrease of \$273,862 from the prior year.

Proprietary fund net position was \$3,970,686 as of June 30, 2019, an increase of \$90,632 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

The first statements are government-wide financials that provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis of accounting to present information in a more corporate-like presentation on individual parts of the government. The remaining statements are the fund financials that focus on individual parts of the City government and report more detail.

BASIC FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the government-wide financial statements (statement of net position and statement of activities). The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the City's financial status as a whole.

The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: (1) the governmental funds statements and (2) the proprietary funds statements.

The next section of the basic financial statements is the notes to the basic financial statements. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information is provided to show details about the City's performance relative to the budget and the City's pension plan information. After the required supplementary information, other supplementary information is provided to show further details of the City's reported transactions and detailed governmental debt schedules.

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. The statements present governmental activities and business-type activities separately. These statements include certain infrastructure as well as all known liabilities (including long-term debt). Additionally, certain eliminations occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The statement of net position and statement of activities report the City's net position and the resulting changes. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors to consider are changes in the City's sales tax base and the condition of the City's capital assets (roads, buildings, and water and sewer lines) to assess the overall health of the City.

The statement of activities distinguishes the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities).

Governmental activities - Most of the City's basic services are reported in this category, including General Fund, Debt Service Fund, Transportation Fund, and other non-major special revenue funds. Sales taxes, property taxes, and franchise taxes are the primary sources of revenue to fund these activities.

Business-type activities - The City charges a fee to customers to cover most of the cost of services it provides. The Water and Sewer Funds report this activity. Property taxes are assessed to repay certain debt, which is accounted for in the Water and Sewer Bond Fund.

Fund Financial Statements

The City uses two types of funds to manage its resources: governmental funds and proprietary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related current liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

The relationships or differences of activities reported in the governmental fund financial statement versus that reported in the government-wide financial statements are explained in the reconciliation schedules following the governmental fund financial statements.

Proprietary Funds

When the City charges customers for the services it provides to cover the cost of operations, these activities are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of revenues, expenses, and changes in fund net position. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Basic Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning budgetary comparison schedules for the major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following table reflects the condensed statement of net position as of June 30, 2019:

	City of Hamilton, Missouri Statement of Net Position			2018 Total
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current and other assets	1,082,679	910,157	1,992,836	2,356,631
Capital assets	<u>1,507,156</u>	<u>4,758,094</u>	<u>6,265,250</u>	<u>5,923,938</u>
TOTAL ASSETS	<u>2,589,835</u>	<u>5,668,251</u>	<u>8,258,086</u>	<u>8,280,569</u>

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

City of Hamilton, Missouri
Statement of Net Position (Continued)

	2019			2018 Total
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities	39,416	187,954	227,370	254,493
Long-term liabilities	<u>676,049</u>	<u>1,509,611</u>	<u>2,185,660</u>	<u>2,520,674</u>
TOTAL LIABILITIES	<u>715,465</u>	<u>1,697,565</u>	<u>2,413,030</u>	<u>2,775,167</u>
NET POSITION				
Net investment in capital assets	816,478	3,256,005	4,072,483	3,403,264
Restricted	174,867	427,579	602,446	589,268
Unrestricted	<u>883,025</u>	<u>287,102</u>	<u>1,170,127</u>	<u>1,512,870</u>
TOTAL NET POSITION	<u>1,874,370</u>	<u>3,970,686</u>	<u>5,845,056</u>	<u>5,505,402</u>

Net position of the City's governmental activities was \$1,874,370 as of June 30, 2019, an increase of \$243,955 from the beginning balance on July 1, 2018. This is primarily due to capital outlay expenses that have been capitalized by the City and will be depreciated over their estimated useful lives in future years.

Net position of the City's business-type activities was \$3,970,686 as of June 30, 2019, an increase of \$90,078 from the beginning balance on July 1, 2018.

The unrestricted net position of the City's governmental activities was \$883,025 as of June 30, 2019, a decrease of \$325,166 from the beginning balance on July 1, 2018.

The unrestricted net position of the City's business-type activities was \$287,102. This represents a decrease of \$17,577 from beginning balance on July 1, 2018.

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table reflects the condensed statement of activities as of June 30, 2019:

	Year Ended 2019			Year Ended 2018
	Governmental Activities	Business-Type Activities	Total	
REVENUES				
Program revenue				
Charges for services	78,041	992,139	1,070,180	1,152,253
Operating grants and contributions	5,720		5,720	
Capital grants and contributions	59,330	7,200	66,530	40,884
General revenue				
Sales and use tax	506,206		506,206	502,358
Property tax	245,838	87,766	333,604	324,196
Franchise tax	105,857		105,857	136,827
Fuel and vehicle tax	72,204		72,204	73,010
Interest	3,175	2,054	5,229	5,104
Miscellaneous	8,160	988	9,148	10,716
Transfers in (out)	25,654	(25,654)		
Total revenues	<u>1,110,185</u>	<u>1,064,493</u>	<u>2,174,678</u>	<u>2,245,348</u>
EXPENSES				
Governmental activities				
Administration	198,195		198,195	197,349
Police	303,290		303,290	249,094
Recreation	154,113		154,113	102,450
Transportation	177,820		177,820	166,362
Municipal Court and Economic Development	7,342		7,342	6,438
Interest on long-term debt	25,470		25,470	62,185
Business-type activities				
Water		677,343	677,343	672,850
Sewer		296,518	296,518	301,584
Total expenses	<u>866,230</u>	<u>973,861</u>	<u>1,840,091</u>	<u>1,758,312</u>
CHANGE IN NET POSITION	243,955	90,632	334,587	487,036
NET POSITION, beginning of year (restated)	<u>1,630,415</u>	<u>3,880,054</u>	<u>5,510,469</u>	<u>5,018,366</u>
NET POSITION, end of year	<u>1,874,370</u>	<u>3,970,686</u>	<u>5,845,056</u>	<u>5,505,402</u>

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City of Hamilton, Missouri, uses fund accounting to ensure and demonstrate compliance with financing and other requirements.

Governmental Funds

The General Fund is the chief operating fund of the City of Hamilton, Missouri. The General Fund includes departments of the library, museum, and police. All of these activities are provided to, and benefit all of, the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group.

At the end of the current fiscal year, the total fund balance of the General Fund was \$376,854, an increase of \$7,478 from the prior year.

General Fund Budget Highlights

Budgeted revenue was \$511,106 and actual revenue was \$527,276, a difference of \$16,170.

Budgeted expense was \$569,654 and actual expense was \$492,502, a difference of \$77,152. Amendments to the budget included changes to operational expense accounts.

Transportation Fund

This fund is established pursuant to the Missouri Constitution Article IV, Section 30(a)(2) [State Gas Tax] and Revised Missouri Statutes 94.745 (City 1/2 cent sales tax). It is used for transportation purposes within the City of Hamilton, Missouri. This fund provides for the maintenance and expansion of transportation needs of our citizens. Included in this fund are repair and maintenance of the existing public road system and upgrades to the local transportation system. At the end of the current fiscal year, total fund balance of the Transportation Fund was \$485,604, a decrease of \$290,135 over the beginning balance at July 1, 2018.

Park Fund

The Park Fund is used to account for allocated property taxes and user fees to pay expenditures for City recreation and related expenses. At the end of the current fiscal year, total fund balance was a deficit of \$8,464, an increase of \$22,206 over the beginning deficit balance at July 1, 2018.

Proprietary Funds

The Water and Sewer Funds are based on a user fee system where individuals and businesses utilizing the service pay a fee based upon approved structured rates. At the end of the current fiscal year, the total net position of the Water and Sewer Funds were \$2,246,195 and \$1,587,407, resulting from a decrease of \$35,590 in the Water Fund and an increase of \$130,126 in the Sewer Fund.

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

City of Hamilton, Missouri
Capital Assets (net of depreciation)

	2019			2018 Total
	Governmental Activities	Business-Type Activities	Total	
Land	6,517	123,622	130,139	130,139
Construction in progress	26,970	89,306	116,276	
Equipment	542,942	364,784	907,726	1,324,986
Buildings and land improvements	1,750,038		1,750,038	3,916,502
Infrastructure	733,543		733,543	1,373,907
Water and sewer system		8,546,288	8,546,288	5,013,121
Less accumulated depreciation	<u>(1,552,854)</u>	<u>(4,365,906)</u>	<u>(5,918,760)</u>	<u>(5,834,716)</u>
Total capital assets, net of depreciation	<u>1,507,156</u>	<u>4,758,094</u>	<u>6,265,250</u>	<u>5,923,939</u>

The amount invested in capital assets, net of accumulated depreciation, for the City at June 30, 2019, is \$6,265,250, an increase of \$341,311 from the balance at July 1, 2018.

Debt Administration

At the end of the current fiscal year, the City of Hamilton, Missouri, had \$2,165,797 in outstanding debt.

City of Hamilton, Missouri
Outstanding Debt

	2019			2018 Total
	Governmental Activities	Business-Type Activities	Total	
General Obligation Bonds	330,000		330,000	375,000
Capital leases	333,708		333,708	414,965
Sewer System Improvement Bonds				90,000
Refunding Revenue Bonds		340,000	340,000	390,000
Revenue Bonds		130,000	570,000	645,000
USDA Bonds		592,089	592,089	605,709
Total indebtedness	<u>663,708</u>	<u>1,062,089</u>	<u>2,165,797</u>	<u>2,520,674</u>

CITY OF HAMILTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt Administration (Continued)

Further analysis of the outstanding debt is presented in Note 8 in the disclosures to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

2019 - 2020 BUDGET

The City continues to make strides in improving the water/sewer infrastructure. They are in the process of securing the easements necessary to move forward with this project and aim to make significant progress within the coming year. This project will lead to increased expenses for the City but some will be partially refunded by a USDA/CDBG Grant the City has been awarded to help offset the costs.

Also budgeted for the coming year are higher principal payments which are attributable to current debt service requirements. Additional details regarding future minimum payments and debt terms are available in Note 8 to the financial statements.

Overview of Estimated Revenues

Property, sales, and franchise tax revenues comprise approximately 76% of the General Fund revenues within the adopted 2019 - 2020 budget. The majority of the general fund budget is expended for salaries for Public Safety and City administration. The City has also budgeted for equipment upgrades for the police department.

The 2019 - 2020 will be the first full year for the City's new use tax in the Street Fund. This will comprise 7% of total revenues in that fund. Also included in the Street Fund's budget is a transportation grant that will be used to help improve streets within the City limits. Grant funds will be used to offset increased capital expenditures during the budget year.

For the City's business-type funds, the City has budgeted significant receipts for grant funds from the USDA and from a CDBG grant for costs associated with the Water Line Project in the Water Fund. Outside of those grant funds, the City also expects to derive approximately 57% of the fund's revenues from City water sales. In the Sewer Fund, approximately 92% of fund revenues will be from the sale of City services.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader a general overview to the City's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to the Office of the City Administrator, 200 S. Davis Street, Hamilton, Missouri 64644.

CITY OF HAMILTON, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	759,444	257,577	1,017,021
Certificates of deposit	28,925		28,925
Receivables			
Taxes	119,598	6,807	126,405
Unbilled revenue		32,593	32,593
Accounts		79,934	79,934
Other	21		21
Inventory		13,000	13,000
Restricted Assets			
Cash and cash equivalents	174,691	455,693	630,384
Held by trustee		15,000	15,000
Certificates of deposit		49,553	49,553
Capital Assets			
Land	6,517	123,622	130,139
Construction in progress	26,970	89,306	116,276
Equipment and vehicles	542,942	364,784	907,726
Buildings and land improvements	1,750,038		1,750,038
Infrastructure	733,543		733,543
Water and sewer system		8,546,288	8,546,288
Accumulated depreciation	<u>(1,552,854)</u>	<u>(4,365,906)</u>	<u>(5,918,760)</u>
TOTAL ASSETS	<u>2,589,835</u>	<u>5,668,251</u>	<u>8,258,086</u>
LIABILITIES			
Current Liabilities			
Accounts payable	18,806	70,617	89,423
Accrued expenses	20,610	4,154	24,764
Accrued interest		13,709	13,709
Customer deposits payable from restricted assets		99,474	99,474
Current portion of long-term debt	<u>136,610</u>	<u>153,915</u>	<u>290,525</u>
Total current liabilities	<u>176,026</u>	<u>341,869</u>	<u>517,895</u>
Long-Term Liabilities			
Compensated absences	12,341	7,522	19,863
Long-term debt, net of current portion	<u>527,098</u>	<u>1,348,174</u>	<u>1,875,272</u>
Total long-term liabilities	<u>539,439</u>	<u>1,355,696</u>	<u>1,895,135</u>
TOTAL LIABILITIES	<u>715,465</u>	<u>1,697,565</u>	<u>2,413,030</u>

CITY OF HAMILTON, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	816,478	3,256,005	4,072,483
Restricted	174,867	427,579	602,446
Unrestricted	<u>883,025</u>	<u>287,102</u>	<u>1,170,127</u>
TOTAL NET POSITION	<u>1,874,370</u>	<u>3,970,686</u>	<u>5,845,056</u>

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
Administration	198,195	10,115			(188,080)		(188,080)
Public safety	303,290		5,720		(297,570)		(297,570)
Recreation	154,113	46,890			(107,223)		(107,223)
Transportation	177,820			59,330	(118,490)		(118,490)
Municipal court	5,405	21,036			15,631		15,631
Economic development	1,937				(1,937)		(1,937)
Interest on long-term debt	25,470				(25,470)		(25,470)
Total governmental activities	<u>866,230</u>	<u>78,041</u>	<u>5,720</u>	<u>59,330</u>	<u>(723,139)</u>		<u>(723,139)</u>
Business-type activities							
Water	677,343	566,354		7,200		(103,789)	(103,789)
Sewer	296,518	425,785				129,267	129,267
Total business-type activities	<u>973,861</u>	<u>992,139</u>		<u>7,200</u>		<u>25,478</u>	<u>25,478</u>
Total primary government	<u>1,840,091</u>	<u>1,070,180</u>	<u>5,720</u>	<u>66,530</u>	<u>(723,139)</u>	<u>25,478</u>	<u>(697,661)</u>
General revenues							
Taxes							
Sales and use tax					506,206		506,206
Franchise tax					105,857		105,857
Fuel and vehicle tax					72,204		72,204
Property taxes					245,838	87,766	333,604
Interest and investment earnings					3,175	2,054	5,229
Miscellaneous					8,160	988	9,148
Total general revenues					<u>941,440</u>	<u>90,808</u>	<u>1,032,248</u>
Transfers in (out)					25,654	(25,654)	
CHANGE IN NET POSITION					243,955	90,632	334,587
NET POSITON, beginning of year					1,565,534	3,795,168	5,360,702
Revisions to beginning balance					64,881	84,886	149,767
NET POSITION, beginning of year (restated)					<u>1,630,415</u>	<u>3,880,054</u>	<u>5,510,469</u>
NET POSITION, end of year					<u>1,874,370</u>	<u>3,970,686</u>	<u>5,845,056</u>

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Transportation Fund	Park Fund	Other Governmental Funds	Elimi- nations	Total
ASSETS						
ASSETS						
Cash and cash equivalents	312,355	436,243	10,846			759,444
Certificates of deposit	28,925					28,925
Due from other funds	6,000				(6,000)	
Receivables, net of allowance for doubtful accounts						
Taxes	47,837	56,052	711	596		105,196
Other	21					21
Restricted cash and cash equivalents				<u>174,691</u>		<u>174,691</u>
TOTAL ASSETS	<u>395,138</u>	<u>492,295</u>	<u>11,557</u>	<u>175,287</u>	<u>(6,000)</u>	<u>1,068,277</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds			6,000		(6,000)	
Accounts payable	9,620	4,471	4,295	420		18,806
Accrued expenses	8,664	2,220	9,726			20,610
Total liabilities	<u>18,284</u>	<u>6,691</u>	<u>20,021</u>	<u>420</u>	<u>(6,000)</u>	<u>39,416</u>
FUND BALANCES						
Restricted				174,867		174,867
Assigned		485,604				485,604
Unassigned (deficit)	376,854		(8,464)			368,390
Total fund balances	<u>376,854</u>	<u>485,604</u>	<u>(8,464)</u>	<u>174,867</u>		<u>1,028,861</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>395,138</u>	<u>492,295</u>	<u>11,557</u>	<u>175,287</u>	<u>(6,000)</u>	<u>1,068,277</u>

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Total fund balance - total governmental funds	1,028,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,507,156
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(663,708)
Property taxes not collected within 60 days of the end of the fiscal year are not included in the fund financial statements as they are not available to pay current-period expenditures.	14,402
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,341)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>1,874,370</u>

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Transportation Fund	Park Fund	Other Governmental Funds	Eliminations	Total
REVENUES						
Sales tax	248,236	230,274				478,510
Property tax	150,525		38,858	42,053		231,436
Franchise tax	105,857					105,857
Fuel and vehicle tax		72,204				72,204
Use tax		27,696				27,696
License and permits	9,703					9,703
Charges for services	412		46,890			47,302
Intergovernmental revenue	5,720	59,330				65,050
Fines and court costs				21,036		21,036
Interest	2,048	635		492		3,175
Other	4,775	250	3,135			8,160
Total revenues	527,276	390,389	88,883	63,581		1,070,129
EXPENDITURES						
Current						
Administration	176,008					176,008
Public safety	284,640					284,640
Museum	6,572					6,572
Recreation			117,383			117,383
Transportation		145,180				145,180
Municipal court				5,405		5,405
Economic development				1,937		1,937
Capital outlay	13,108	451,391	16,294			480,793
Debt principal	11,126	70,131		45,000		126,257
Debt interest and agent fees	1,048	13,822		10,600		25,470
Total expenditures	492,502	680,524	133,677	62,942		1,369,645

CITY OF HAMILTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Transportation Fund	Park Fund	Other Governmental Funds	Elimin- ations	Total
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>34,774</u>	<u>(290,135)</u>	<u>(44,794)</u>	<u>639</u>	<u> </u>	<u>(299,516)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	41,654		67,000	1,950	(83,000)	27,604
Transfers out	<u>(68,950)</u>	<u> </u>	<u> </u>	<u>(16,000)</u>	<u>83,000</u>	<u>(1,950)</u>
Total other financing sources (uses)	<u>(27,296)</u>	<u> </u>	<u>67,000</u>	<u>(14,050)</u>	<u> </u>	<u>25,654</u>
REVENUES AND OTHER FINANCING SOURCES (OVER) UNDER EXPENDITURES AND OTHER FINANCING USES	<u>7,478</u>	<u>(290,135)</u>	<u>22,206</u>	<u>(13,411)</u>	<u> </u>	<u>(273,862)</u>
FUND BALANCES (DEFICIT), beginning of year	326,017	737,474	(28,525)	190,535	<u> </u>	1,225,501
Revisions to beginning balance	<u>43,359</u>	<u>38,265</u>	<u>(2,145)</u>	<u>(2,257)</u>	<u> </u>	<u>77,222</u>
FUND BALANCES (DEFICIT), beginning of year (restated)	<u>369,376</u>	<u>775,739</u>	<u>(30,670)</u>	<u>188,278</u>	<u> </u>	<u>1,302,723</u>
FUND BALANCES (DEFICIT), end of year	<u><u>376,854</u></u>	<u><u>485,604</u></u>	<u><u>(8,464)</u></u>	<u><u>174,867</u></u>	<u><u> </u></u>	<u><u>1,028,861</u></u>

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (273,862)

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

Capital outlay	480,793	
Depreciation	<u>(94,214)</u>	386,579

Governmental funds do not report on the disposal of assets unless proceeds are received as a result of the disposal. However, in the statement of activities, nondepreciated costs less any proceeds received are shown as a loss. (9,421)

Property tax revenue that does not provide current financial resources is not reported as revenues in the fund financial statements. 14,402

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 126,257

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 243,955

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Water	Sewer	Water and Sewer Bond Fund	Elimi- nations	Total
ASSETS					
Current Assets					
Cash and cash equivalents	6,808	250,769			257,577
Inventory	12,000	1,000			13,000
Receivable, net of allowance for doubtful accounts					
Unbilled revenue	21,724	10,869			32,593
Accounts	53,889	26,045			79,934
Due from other funds	11,360			(11,360)	
Taxes			6,807		6,807
Total current assets	<u>105,781</u>	<u>288,683</u>	<u>6,807</u>	<u>(11,360)</u>	<u>389,911</u>
Restricted Assets					
Cash and cash equivalents	219,351	106,065	130,277		455,693
Held by trustee	15,000				15,000
Certificates of deposit	35,324	14,229			49,553
Total restricted assets	<u>269,675</u>	<u>120,294</u>	<u>130,277</u>		<u>520,246</u>
Capital Assets					
Land	98,947	24,675			123,622
Construction in progress	77,790	11,516			89,306
Equipment	238,261	126,523			364,784
Water and sewer system	6,283,770	2,262,518			8,546,288
Less accumulated depreciation	<u>(3,156,789)</u>	<u>(1,209,117)</u>			<u>(4,365,906)</u>
Net capital assets	<u>3,541,979</u>	<u>1,216,115</u>			<u>4,758,094</u>
TOTAL ASSETS	<u>3,917,435</u>	<u>1,625,092</u>	<u>137,084</u>	<u>(11,360)</u>	<u>5,668,251</u>

CITY OF HAMILTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Water	Sewer	Water and Sewer Bond Fund	Elimi- nations	Total
LIABILITIES					
Current Liabilities					
Accounts payable	45,005	25,612			70,617
Interest payable	11,403	2,306			13,709
Accrued expenses	2,117	2,037			4,154
Due to other funds	7,857	3,503		(11,360)	
Customer deposits payable from restricted assets	99,474				99,474
Current portion of long-term debt	<u>153,915</u>				<u>153,915</u>
Total current liabilities	<u>319,771</u>	<u>33,458</u>		<u>(11,360)</u>	<u>341,869</u>
Noncurrent liabilities					
Compensated absences	3,295	4,227			7,522
Long-term debt, net of current portion	<u>1,348,174</u>				<u>1,348,174</u>
Total noncurrent liabilities	<u>1,351,469</u>	<u>4,227</u>			<u>1,355,696</u>
TOTAL LIABILITIES	<u>1,671,240</u>	<u>37,685</u>		<u>(11,360)</u>	<u>1,697,565</u>
NET POSITION					
Net investment in capital assets	2,039,890	1,216,115			3,256,005
Restricted	170,201	120,294	137,084		427,579
Unrestricted	<u>36,104</u>	<u>250,998</u>			<u>287,102</u>
TOTAL NET POSITION	<u>2,246,195</u>	<u>1,587,407</u>	<u>137,084</u>		<u>3,970,686</u>

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See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Water and Sewer Bond Fund	Elimi- nations	Total
REVENUES					
User charges	559,834	270,370			830,204
Solid waste service charges		155,415			155,415
Penalties	6,520				6,520
Miscellaneous	930	58			988
Total revenues	<u>567,284</u>	<u>425,843</u>			<u>993,127</u>
EXPENSES					
Salaries and benefits	71,023	66,986			138,009
Operating agreement	135,758				135,758
Chemicals	41,605				41,605
Repairs and maintenance	71,009	12,327			83,336
Insurance	10,133	9,289			19,422
Utilities	16,275	12,203			28,478
Professional services	13,904	4,232			18,136
Water purchases	130,560				130,560
Solid waste contract		139,001			139,001
Depreciation	131,823	43,695			175,518
Other operating expenses	11,491	8,307			19,798
Total expenses	<u>633,581</u>	<u>296,040</u>			<u>929,621</u>
OPERATING INCOME	<u>(66,297)</u>	<u>129,803</u>			<u>63,506</u>

CITY OF HAMILTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Water and Sewer Bond Fund	Elimi- nations	Total
NONOPERATING REVENUES (EXPENSES)					
Interest income	715	801	538		2,054
Grants	7,200				7,200
Property taxes			87,766		87,766
Interest expense and fiscal fees	(43,762)	(478)			(44,240)
Transfers in	92,208			(92,208)	
Transfers out	(25,654)		(92,208)	92,208	(25,654)
Total nonoperating revenues (expenses)	30,707	323	(3,904)		27,126
CHANGE IN NET POSITION	(35,590)	130,126	(3,904)		90,632
NET POSITION, beginning of year	2,256,292	1,397,888	140,988		3,795,168
Revisions to beginning balance	25,493	59,393			84,886
NET POSITION, beginning of year restated	2,281,785	1,457,281	140,988		3,880,054
NET POSITION, end of year	2,246,195	1,587,407	137,084		3,970,686

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Water and Sewer Bond Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	573,690	443,452		1,017,142
Cash payments for materials and services	(406,556)	(169,594)		(576,150)
Cash payments to personnel	<u>(74,138)</u>	<u>(70,994)</u>		<u>(145,132)</u>
Net cash provided by operating activities	<u>92,996</u>	<u>202,864</u>		<u>295,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in funds held by trustee	(2,500)	45,000		42,500
Change in certificates of deposit	(176)	(70)		(246)
Cash received from interest	<u>715</u>	<u>801</u>	<u>538</u>	<u>2,054</u>
Net cash provided by (used in) investing activities	<u>(1,961)</u>	<u>45,731</u>	<u>538</u>	<u>44,308</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from sales tax			<u>87,131</u>	<u>87,131</u>
Net cash provided by noncapital financing activities			<u>87,131</u>	<u>87,131</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(91,864)	(47,808)		(139,672)
Grant receipts	7,200			7,200
Interest and fees paid on revenue bonds	(43,762)	(478)		(44,240)
Retirement of bonds	(138,620)	(90,000)		(228,620)
Transfers	<u>66,554</u>		<u>(92,208)</u>	<u>(25,654)</u>
Net cash used in capital and related financing activities	<u>(200,492)</u>	<u>(138,286)</u>	<u>(92,208)</u>	<u>(430,986)</u>

CITY OF HAMILTON, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Water and Sewer Bond Fund	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(109,457)	110,309	(4,539)	(3,687)
CASH AND CASH EQUIVALENTS, beginning of year	<u>335,616</u>	<u>246,525</u>	<u>134,816</u>	<u>716,957</u>
CASH AND CASH EQUIVALENTS, end of year	<u>226,159</u>	<u>356,834</u>	<u>130,277</u>	<u>713,270</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	<u>(66,297)</u>	<u>129,803</u>	<u> </u>	<u>63,506</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	131,823	43,695		175,518
(Increase) decrease in the following assets:				
Accounts receivable	7,336	17,667		25,003
Increase (decrease) in the following liabilities:				
Accounts payable	17,627	11,480		29,107
Accrued expenses	180	219		399
Meter deposits	<u>2,327</u>	<u> </u>	<u> </u>	<u>2,327</u>
Total adjustments	<u>159,293</u>	<u>73,061</u>	<u> </u>	<u>232,354</u>
Net cash provided by operating activities	<u>92,996</u>	<u>202,864</u>	<u> </u>	<u>295,860</u>

See accompanying notes to basic financial statements.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Hamilton, Missouri, is a fourth-class city that operates under Missouri state statutes and is governed by an elected Board of Aldermen and an elected Mayor. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City of Hamilton, Missouri, provides a range of municipal services, including general government administration, public safety, recreation, street maintenance, and waterworks and sewerage.

In determining the financial reporting entity, the City complies with the provisions of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as amended by Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*. For financial reporting purposes, the City includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the City.

Management has considered all potential component units and has determined there are no entities outside of the primary government that should be blended into or discretely presented with the City's financial statements.

Government-Wide and Fund Financial Statements

The statement of net position and statement of activities report information on the City as a whole. They include all funds of the City. The effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general receipts. The City does not allocate indirect costs.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, revenues,

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary, even though the latter are excluded from the government-wide financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the City are described below:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position. The following are the City's governmental fund types:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted, committed, or assigned to expenditures for specified purposes.

Major Special Revenue Funds

Transportation Fund - Established to account for the maintenance of the City's streets and financed primarily through intergovernmental road tax.

Park Fund - This fund administers all operating revenues and expenditures associated with the parks department including the swimming pool and ball fields.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds (Continued)

Nonmajor Special Revenue Funds

Economic Development Fund - Accounts for revenues received and expenditures paid for the purpose of economic development.

Municipal Court Fund - Administers all court fines and fees.

Debt Service Fund - Used to account for the accumulation of resources for, and the payments of long-term debt principal, interest, and related costs.

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income.

The Water and Sewer Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing water and sewer services on a continuing basis be financed or recovered primarily through user charges or where the periodic determination of net income or loss is deemed appropriate.

The Water and Sewer Bond Fund accounts for collections of property taxes which are used to transfer to the Water Fund for the payment of bonds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. 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 have been met.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Government fund level 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Grant revenues' availability period is generally considered to be one year. 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 the liability has matured and payment is due.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Funds are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash consists of amounts in demand deposits, savings accounts, and money market accounts. The City considers all highly-liquid investments maturing within three months to be cash equivalents.

The City is authorized to invest in U.S. Treasury obligations, U.S. government agency securities, and instruments of government-sponsored corporations, certificates of deposit at commercial banks and S & L Association Management, Inc., and repurchase agreements. Investments are reported at fair value.

Inventories

Inventories, consisting of materials and supplies, are reported in the proprietary funds. They are valued at lower of cost or net realizable value being determined on a first in, first out (FIFO) basis. Cost is determined using estimated replacement cost basis which approximates actual cost.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

The City of Hamilton, Missouri, recognizes receivables in its various funds based on the accounting basis required for that fund. Allowances are provided for possible uncollectible accounts.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the City) are defined as assets with an estimated useful life greater than one year. Donated fixed assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	5 - 15 years
Improvements	10 - 20 years
Buildings	30 - 60 years
Infrastructure	5 - 60 years
Water and sewer system	40 - 65 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based upon length of service. Unused vacation or sick leave can be rolled forward, but employees must use all accrued annual leave within the year following the anniversary date. No cash reimbursements will be made for days that exceed the carryover policy.

Any employee who is entitled to annual leave and leaves the City in good standing or whose services have been otherwise terminated can receive reimbursement for all such accrued vacation leave and paid on the same basis as regular employees remaining in the service. The City does allow for an exception in the payout of accrued leave in cases of proven theft, destruction, or willful abuse of City property.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Unused vacation and sick pay as of June 30, 2019, is accrued as a liability on the government-wide statement of net position in amounts of \$12,341 for the governmental activities and \$7,522 for the business-type activities.

Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds.

The governmental fund financial statements recognize the proceeds and payments of debt as other financing sources and uses of the current period. Issuance costs are reported as expenditures.

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provision or enabling legislation.

Unrestricted net position consists of net assets that do not meet the definition of restricted.

It is the City's policy to use restricted net assets first, prior to the use of unrestricted net assets, when a disbursement is paid for purposes in which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification

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:

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The City currently has no amounts classified in this category.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and 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 formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) 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. The City currently has no amounts classified in this category.

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 Board of Aldermen or through the Board delegating this responsibility to the City Clerk through the budgetary process.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Unassigned

This classification includes the residual fund balance for the General Fund as it is the only fund that reports a positive, unassigned fund balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative, unassigned fund balance in that fund.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Interfund receivables and payables between funds are eliminated in the statement of net position.

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources, to provide services and construct assets. Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Use of Estimates

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

Revenues

Billings for sewer revenues are rendered monthly. Unbilled revenues from the last billing date to the end of the period are accrued in the period of usage and included in accounts receivable.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued)

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 2. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at June 30, 2019, consisted of the following:

	Business-Type Activities
Depreciation and replacement accounts	205,171
Held by trustee	15,000
Debt service	130,277
Grant requirements	81,684
Meter deposits	88,114
	<u>520,246</u>
	Governmental Activities
Debt service	143,710
Municipal court	30,929
Economic development	52
	<u>174,691</u>

NOTE 3. CASH AND CERTIFICATES OF DEPOSIT

The state of Missouri authorizes the City, with certain restrictions, to deposit funds in open accounts, time deposits, and certificates of deposits. Statutes also require that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State.

Bond covenants authorize the City utility funds to invest in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America in other obligations in which public funds are permitted to be invested under Missouri laws.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CASH AND CERTIFICATES OF DEPOSIT (Continued)

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by holding investments to maturity.

Custodial Credit Risk - This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2019, all of the City's deposits with financial institutions were fully insured or collateralized by securities held in the City's name in the form of joint safekeeping receipts. It is the City's policy to require depositories to provide pledged securities to cover deposits in excess of FDIC limits.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer.

NOTE 4. RECEIVABLES

Taxes receivable include property, sales, and franchise taxes.

Accounts receivable in the Water and Sewer Funds reflect customer accounts receivable which have been billed by year end and also for unbilled revenue for services rendered prior to year end but billed in the next fiscal year.

NOTE 5. COMPLIANCE WITH MISSOURI STATUTES

Missouri House Bill No. 103 amending RSMo Section 302.341.2 became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of "annual general operating revenue" from fines and costs for traffic violations.

Fines and costs for minor traffic violations	21,036
Annual general operating revenues	593,994
Fines and costs for minor traffic violations as a percentage of annual general operating revenues	3.54

NOTE 6. 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 disaster. The City maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Construction in progress		26,970		26,970
Land	6,517			6,517
Total capital assets, not being depreciated	<u>6,517</u>	<u>26,970</u>		<u>33,487</u>
Capital assets, being depreciated				
Equipment	673,754	26,767	(157,579)	542,942
Buildings and land improvements	1,745,903	4,135		1,750,038
Infrastructure	310,622	422,921		733,543
Total capital assets, being depreciated	<u>2,730,279</u>	<u>453,823</u>	<u>(157,579)</u>	<u>3,026,523</u>
Less accumulated depreciation for:				
Equipment	599,317	15,819	(148,158)	466,978
Buildings and land improvements	960,410	50,992		1,011,402
Infrastructure	47,071	27,403		74,474
Total accumulated depreciation	<u>1,606,798</u>	<u>94,214</u>	<u>(148,158)</u>	<u>1,552,854</u>
Governmental activities capital assets, net	<u>1,129,998</u>	<u>386,579</u>	<u>(9,421)</u>	<u>1,507,156</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Construction in progress		89,306		89,306
Land	123,622			123,622
Total capital assets, not being depreciated	<u>123,622</u>	<u>89,306</u>		<u>212,928</u>

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Business-Type Activities (Continued)</u>				
Capital assets, being depreciated				
Equipment	362,455	39,858	(37,531)	364,782
Buildings	255,000			255,000
Water and sewer system	<u>8,280,781</u>	<u>10,508</u>		<u>8,291,289</u>
Total capital assets, being depreciated	<u>8,898,236</u>	<u>50,366</u>	<u>(37,531)</u>	<u>8,911,071</u>
Less accumulated depreciation for:				
Equipment	310,445	8,562	(37,531)	281,476
Buildings	255,000			255,000
Water and sewer system	<u>3,662,473</u>	<u>166,956</u>		<u>3,829,429</u>
Total accumulated depreciation	<u>4,227,918</u>	<u>175,518</u>	<u>(37,531)</u>	<u>4,365,905</u>
Business-type activities capital assets, net	<u>4,793,940</u>	<u>(35,846)</u>		<u>4,758,094</u>

The following table summarizes the depreciation by function for the year ended June 30, 2019:

	Governmental Activities	Business-Type Activities
Administration	9,160	
Public safety	9,229	
Recreation	43,185	
Transportation	32,640	
Water		131,823
Sewer		<u>43,695</u>
Total	<u>94,214</u>	<u>175,518</u>

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended June 30, 2019, consisted of the following:

	Balance July 1, 2018	Addi- tions	Retire- ments	Balance June 30, 2019	Due in One Year
General Obligation Bonds	375,000		45,000	330,000	50,000
Capital leases	<u>414,965</u>		<u>81,257</u>	<u>333,708</u>	<u>86,610</u>
	<u>789,965</u>		<u>126,257</u>	<u>663,708</u>	<u>136,610</u>

General Obligation Bonds

In May 2015, the City secured funding totaling \$500,000 for swimming pool improvements from General Obligation Bonds. Under the terms of the bond agreement, payments are due annually in installments ranging from \$40,000 to \$60,000 commencing on March 1, 2016. The bonds have a variable interest rate of 0.90% to 3.20% with payments due semi-annually on March 1 and September 1. Debt service requirements to maturity of these bonds are as follows:

Years Ending September 30,	Principal	Interest	Total
2020	50,000	9,320	59,320
2021	50,000	8,220	58,220
2022	55,000	6,970	61,970
2023	55,000	5,430	60,430
2024	60,000	3,780	63,780
2025 - 2026	<u>60,000</u>	<u>1,920</u>	<u>61,920</u>
Total	<u>330,000</u>	<u>35,640</u>	<u>365,640</u>

Capital Leases

The City has entered into various capital leases to help fund improvements and purchase assets necessary for City operations.

On January 13, 2015, the City purchased a truck in the amount of \$29,832 for the police department. Under the terms of this debt agreement, the interest rate is 3.65% and annual payments of \$6,645 are due. On September 9, 2017, the City purchased a car in the amount of \$24,860 for the police department. Under the terms of this debt agreement the interest rate is 4.25% and monthly payments of \$461 are due.

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Capital Leases (Continued)

Future minimum payments for the vehicle leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	11,557	617	12,174
2021	5,336	192	5,528
2022	946	18	964
Total	<u>17,839</u>	<u>827</u>	<u>18,666</u>

On April 1, 2018, the City entered into a capital lease totaling \$386,000 to fund street improvements. Under the terms of this lease, interest was calculated at 3.00% and monthly payments of \$6,972 were due for a total of 60 months. Future minimum payments for the lease funding street improvements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	75,053	8,610	83,663
2021	77,335	6,328	83,663
2022	79,688	3,975	83,663
2023	82,111	1,552	83,663
2024	1,682	18	1,700
Total	<u>315,869</u>	<u>20,483</u>	<u>336,352</u>

Business-Type Activities

Changes in the debt for the year ended June 30, 2019, consisted of the following:

	Balance July 1, 2018	Addi- tions	Retire- ments	Balance June 30, 2019	Due in One Year
Sewer System Improvement Bonds	90,000		90,000		
General Obligation Bonds	515,000		75,000	440,000	85,000
Refunding Revenue Bonds	390,000		50,000	340,000	55,000
Revenue Bonds	130,000			130,000	
WW & SS Revenue Bonds - USDA	605,709		13,620	592,089	13,915
	<u>1,730,709</u>		<u>228,620</u>	<u>1,502,089</u>	<u>153,915</u>

CITY OF HAMILTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Sewer System Improvement Bonds

On December 1, 1997, the City issued Sewer Bonds totaling \$1,500,000 to help fund sewer improvements. Principal payments were due yearly in amounts ranging from \$65,000 to \$90,000 through January 2019. Interest rates associated with the debt were 4.00% to 5.125% with semi-annual payments due in January and July. This debt was satisfied during the fiscal year.

General Obligation Bonds

On July 1, 2007, the City issued \$385,000 in General Obligation Bonds through the State Revolving Fund Program (SRF). The debt is scheduled to mature January 2026. Principal payments are due yearly in amounts ranging from \$5,000 to \$35,000. The debt carried an interest rate of 4.00% to 5.00% over the term of the loan with interest payments due semi-annually in January and July.

Future debt service requirements for these bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2020	30,000	10,200	40,200
2021	30,000	9,000	39,000
2022	30,000	7,763	37,763
2023	30,000	6,375	36,375
2024	35,000	5,000	40,000
2025 - 2026	<u>70,000</u>	<u>4,975</u>	<u>74,975</u>
Total	<u>225,000</u>	<u>43,313</u>	<u>268,313</u>

In February 2013, the City issued General Obligation Waterworks and Sewerage System Bonds, Series 2013B. Under the terms of the debt agreement, interest ranges from 1.75% to 3.00% with interest payments due semi-annually in March and September. Principal payments ranging from \$50,000 to \$55,000 are due in March of each year until Maturity in 2023.

CITY OF HAMILTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

General Obligation Bonds (Continued)

Future minimum debt service requirements for the General Obligation Waterworks and Sewerage System Bonds, Series 2013B are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	55,000	5,790	60,790
2021	55,000	4,470	59,470
2022	55,000	3,040	58,040
2023	50,000	1,500	51,500
Total	<u>215,000</u>	<u>14,800</u>	<u>229,800</u>

Waterworks Refunding Revenue Bonds

On June 18, 2012, the City issued \$685,000 in Waterworks Refunding Bonds. Principal payments are due annually through 2025. The debt carries a variable interest rate between 1.25% to 4.00% and requires semi-annual interest payments due in June and December of each year through maturity in 2024.

Future minimum payments required for principal and interest for this debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	55,000	12,818	67,818
2021	55,000	11,002	66,002
2022	60,000	9,050	69,050
2023	60,000	6,800	66,800
2024		4,400	4,400
2025	110,000	4,400	114,400
Total	<u>340,000</u>	<u>48,470</u>	<u>388,470</u>

Waterworks Revenue Bonds Series 2013A were issued in February 2013. The City is required to make semi-annual interest payments at a rate of 3.60% in June and December of each year. Principal payments on the debt are not due until June 2025 and June 2026.

CITY OF HAMILTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Waterworks Revenue Bonds

Future debt service requirements are as followed for the Waterworks Revenue Bonds Series 2013A.

Years Ending June 30,	Principal	Interest	Total
2020		4,680	4,680
2021		4,680	4,680
2022		4,680	4,680
2023		4,680	4,680
2024		4,680	4,680
2025 - 2026	<u>130,000</u>	<u>7,020</u>	<u>137,020</u>
Total	<u>130,000</u>	<u>30,420</u>	<u>160,420</u>

On December 1, 2014, the City issued \$652,000 worth of Combined Waterworks and Sewerage System Revenue Bonds, Series B. These bonds require annual payments of principal and interest of \$26,602 due in December of each year through maturity in 2049. Interest is set at 2.125% for the term of the loan and principal payments fluctuate based on the amount of interest paid. The schedule below shows the future minimum debt payments required for the Combined Waterworks and Sewerage System Revenue Bonds, Series B:

Years Ending June 30,	Principal	Interest	Total
2020	13,866	12,689	26,555
2021	14,160	12,388	26,548
2022	14,461	12,080	26,541
2023	14,768	11,765	26,533
2024	15,082	11,520	26,602
2025 - 2029	80,357	52,653	133,010
2030 - 2034	89,265	43,745	133,010
2035 - 2039	99,162	33,848	133,010
2040 - 2044	110,154	22,856	133,010
Thereafter	<u>140,814</u>	<u>11,189</u>	<u>152,003</u>
Total	<u>592,089</u>	<u>224,733</u>	<u>816,822</u>

CITY OF HAMILTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND TRANSACTIONS

Interfund transactions as reflected either as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds.” All other interfund transactions are treated as transfers. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

Transfers within the year ended June 30, 2019, were as follows:

<u>Transfers In</u>	Transfers Out			Total
	General	Municipal Court	Water	
General Fund		16,000	25,654	41,654
Park	67,000			67,000
Economic Development	1,950			1,950
	68,950	16,000	25,654	110,604

Interfund amounts due to and due from as of the year ended June 30, 2019, were as follows:

	Due To Meter Deposits Fund
Due from Water	7,857
Sewer	3,503
Total	11,360

For reporting purposes, the meter deposits funds is included with the Water Fund.

NOTE 10. DEFICIT FUND BALANCE

At June 30, 2018, the Park Fund had a deficit fund balance of \$8,464. The City plans to transfer from the General Fund in the next fiscal year to restore this deficit.

CITY OF HAMILTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 11. PROPERTY TAXES

The assessed valuation of the tangible property for the purpose of local taxation as of was as follows:

Real estate	12,670,986
Personal property	<u>3,806,265</u>
Total	<u><u>16,477,251</u></u>

The tax levy per \$100 of assessed valuation of tangible real and personal property for the calendar year 2018 was as follows:

General Fund	0.9306
Library	0.3034
Parks and Recreation Fund	0.2511
Debt Service	<u>0.8379</u>
	<u><u>2.3230</u></u>

Property taxes may attach as an enforceable lien on property as of January 1. Taxes are levied no later than November 1 and are due and payable at that time. All unpaid taxes levied by November 1 become delinquent January 1 of the following year.

NOTE 12. RETIREMENT PLANS

The City established a Section 457 retirement plan for employees meeting certain requirements, including completion of one year employment. The City matches employee elected contributions up to 8.0% of the employees gross pay. Total contributions for the year ending September 30, 2019 were \$12,576.

NOTE 13. RESTATEMENT OF BEGINNING BALANCES

The following table reflects the restatement of assets and/or liabilities for the beginning of the year balances for the governmental funds:

	General Fund	Transpor- tation Fund	Debt Service Fund	Other Gov't Funds
Prior year report	326,017	737,474	159,795	2,215
Property tax receivable	(11,195)		(2,257)	(2,145)
Sales tax receivable	26,764	12,762		
Vehicle and gas tax receivable		16,905		
Payables	10,810	2,564		
Accrued expenses	<u>16,980</u>	<u>6,034</u>		
Restated beginning balances	<u><u>369,376</u></u>	<u><u>775,739</u></u>	<u><u>157,538</u></u>	<u><u>70</u></u>

CITY OF HAMILTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 13. RESTATEMENT OF BEGINNING BALANCES (Continued)

The following table reflects the restatement of assets and/or liabilities for the beginning of the year balances for the proprietary funds and government-wide statements of activities:

	Water Fund	Sewer Fund	Business Type Activities	Govern- mental Activities
Prior year report	2,256,292	1,397,888	3,795,168	1,565,534
Accrued interest	(10,056)		(10,056)	
Held by trustee	12,500	45,000	57,500	
Unbilled revenue	23,555	11,345	34,900	
Accounts receivable	(915)	2,661	1,746	
Property tax receivable				(15,597)
Sales tax receivable				39,526
Vehicle and gas tax receivable				16,905
Payables				13,374
Accrued expenses	<u>409</u>	<u>387</u>	<u>796</u>	<u>10,673</u>
Restated beginning balances	<u>2,281,785</u>	<u>1,457,281</u>	<u>3,880,054</u>	<u>1,630,415</u>

NOTE 14. ACCOUNTS RECEIVABLE

Accounts receivable and the related allowances for doubtful accounts at June 30, 2019, are as follows:

	Balance	Allowance for Doubtful Accounts	Net
Governmental funds			
Taxes	119,598		119,598
Other	21		21
Proprietary funds			
Taxes	6,807		6,807
Unbilled revenue	32,593		32,593
Accounts	<u>82,230</u>	<u>(2,296)</u>	<u>79,934</u>
	<u>241,249</u>	<u>(2,296)</u>	<u>238,953</u>

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 29, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales tax	215,000	215,000	248,236	33,236
Property taxes	150,271	150,271	150,525	254
Franchise tax	103,850	103,850	105,857	2,007
License and permits	11,040	11,040	9,703	(1,337)
Charges for services	100	100	412	312
Intergovernmental revenue	25,400	25,400	5,720	(19,680)
Interest	795	795	2,048	1,253
Other	4,650	4,650	4,775	125
Total revenues	<u>511,106</u>	<u>511,106</u>	<u>527,276</u>	<u>16,170</u>
EXPENDITURES				
Administration	226,050	244,500	175,243	69,257
Public Safety	267,834	267,834	284,640	(16,806)
Museum	7,870	17,870	6,572	11,298
Library	2,450	2,450	765	1,685
Capital outlay	25,000	25,000	13,108	11,892
Capital lease payment	12,000	12,000	11,126	874
Debt interest and fees			1,048	(1,048)
Total expenditures	<u>541,204</u>	<u>569,654</u>	<u>492,502</u>	<u>77,152</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,098)</u>	<u>(58,548)</u>	<u>34,774</u>	<u>93,322</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,217	50,217	41,654	(8,563)
Transfers out	(67,000)	(67,000)	(68,950)	(1,950)
Other financing sources (uses)	<u>(16,783)</u>	<u>(16,783)</u>	<u>(27,296)</u>	<u>(10,513)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(46,881)</u>	<u>(75,331)</u>	<u>7,478</u>	<u>82,809</u>
FUND BALANCE, beginning of year			326,017	
Revisions to beginning balance			<u>43,359</u>	
FUND BALANCE, beginning of year (restated)			<u>369,376</u>	
FUND BALANCE, end of year			<u>376,854</u>	

See accompanying notes to budgetary comparison schedules.

CITY OF HAMILTON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales and use tax	218,000	218,000	257,970	39,970
Fuel and vehicle tax	66,000	66,000	72,204	6,204
Intergovernmental revenue	160,951	160,951	59,330	(101,621)
Interest	100	100	635	535
Other	200	200	250	50
Total revenues	<u>445,251</u>	<u>445,251</u>	<u>390,389</u>	<u>(54,862)</u>
EXPENDITURES				
Transportation	180,928	191,603	145,180	46,423
Capital outlay	650,000	799,875	451,391	348,484
Lease payments	77,000	77,000	70,131	6,869
Debt interest and agent fees			13,822	(13,822)
Total expenditures	<u>907,928</u>	<u>1,068,478</u>	<u>680,524</u>	<u>387,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(462,677)</u>	<u>(623,227)</u>	(290,135)	<u>333,092</u>
FUND BALANCE, beginning of year			737,474	
Revisions to beginning balance			<u>38,265</u>	
FUND BALANCE, beginning of year (restated)			<u>775,739</u>	
FUND BALANCE, end of year			<u>485,604</u>	

See accompanying notes to budgetary comparison schedules.

CITY OF HAMILTON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 PARK FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property tax	40,547	40,547	38,858	(1,689)
Charges for services	56,210	56,210	46,890	(9,320)
Other	9,574	9,574	3,135	(6,439)
Total revenues	<u>106,331</u>	<u>106,331</u>	<u>88,883</u>	<u>(17,448)</u>
EXPENDITURES				
Recreation	142,014	142,014	117,383	24,631
Capital outlay			<u>16,294</u>	<u>(16,294)</u>
Total expenditures	<u>142,014</u>	<u>142,014</u>	<u>133,677</u>	<u>8,337</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(35,683)	(35,683)	(44,794)	(9,111)
OTHER FINANCING SOURCES				
Transfers in	<u>67,000</u>	<u>67,000</u>	<u>67,000</u>	<u> </u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	<u>31,317</u>	<u>31,317</u>	22,206	<u>(9,111)</u>
FUND BALANCE (DEFICIT), beginning of year			(28,525)	
Revisions to beginning balance			<u>(2,145)</u>	
FUND BALANCE (DEFICIT), beginning of year (restated)			<u>(30,670)</u>	
FUND BALANCE (DEFICIT), end of year			<u>(8,464)</u>	

See accompanying notes to budgetary comparison schedules.

CITY OF HAMILTON, MISSOURI
NOTES TO BUDGETARY COMPARISON SCHEDULES

NOTE 1. BUDGETARY INFORMATION

Budgets for the City are prepared and adopted on the same basis of accounting as the fund financial statements. The City performs the following procedures in establishing the budget:

The City Administrator submits to the Board of Aldermen a proposed budget for the following fiscal year.

Prior to the beginning of the next fiscal year, the budget is legally enacted through the passage of an ordinance.

Any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen. The fund level constitutes the City's legal level of budgetary control. Reported budgeted amounts are as originally adopted and amended by resolution.

Appropriations lapse at fiscal year end, but may be reappropriated in the following fiscal year.

Budgets are prepared on the modified accrual basis of accounting which corresponds with the governmental fund financial statements.

Actual expenditures may not legally exceed the budgeted fund.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Debt Service Fund	Municipal Court Fund	Economic Development Fund	Total
ASSETS				
ASSETS				
Restricted Assets				
Cash and cash equivalents	143,710	30,929	52	174,691
Taxes receivable	<u>596</u>	<u> </u>	<u> </u>	<u>596</u>
TOTAL ASSETS	<u><u>144,306</u></u>	<u><u>30,929</u></u>	<u><u>52</u></u>	<u><u>175,287</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	<u> </u>	<u>420</u>	<u> </u>	<u>420</u>
FUND BALANCES				
Restricted	<u>144,306</u>	<u>30,509</u>	<u>52</u>	<u>174,867</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>144,306</u></u>	<u><u>30,929</u></u>	<u><u>52</u></u>	<u><u>175,287</u></u>

CITY OF HAMILTON, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Debt Service Fund	Municipal Court Fund	Economic Development Fund	Total
REVENUES				
Taxes	42,053			42,053
Fines and court costs		21,036		21,036
Interest	315	177		492
Total revenues	<u>42,368</u>	<u>21,213</u>	<u> </u>	<u>63,581</u>
EXPENDITURES				
Municipal court		5,405		5,405
Economic development			1,937	1,937
Debt principal	45,000			45,000
Debt interest and fees	10,600			10,600
Total expenditures	<u>55,600</u>	<u>5,405</u>	<u>1,937</u>	<u>62,942</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			1,950	1,950
Transfers out		(16,000)		(16,000)
Total other financing sources (uses)		<u>(16,000)</u>	<u>1,950</u>	<u>(14,050)</u>
NET CHANGE IN FUND BALANCES	(13,232)	(192)	13	(13,411)
FUND BALANCE, beginning of year	<u>159,795</u>	<u>30,701</u>	<u>39</u>	<u>190,535</u>
Revisions to beginning balance	<u>(2,257)</u>			<u>(2,257)</u>
FUND BALANCES, end of year	<u>144,306</u>	<u>30,509</u>	<u>52</u>	<u>174,867</u>



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Board of Aldermen
City of Hamilton, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Hamilton, Missouri, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2019, and have issued our report thereon dated November 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hamilton, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hamilton, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City of Hamilton, Missouri's Response to Findings

The City of Hamilton, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Hamilton, Missouri's responses were not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana & Cole + Company, LLP

Grandview, Missouri
November 29, 2019

CITY OF HAMILTON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

2019-001 SEGREGATION OF DUTIES

Criteria

Internal controls should be in place to safeguard against possible loss or misuse of funds and to provide reasonable assurance that all transactions are accounting for properly and all assets are adequately safeguarded.

Condition

Due to the number of personnel and the size of the City, there is limited segregation of duties over accounting functions. The same individuals record transactions, reconcile the bank statements, maintain the water billing system, and manages the general ledger functions. Administrative personnel have access to cash receipts, preparing checks, recording transactions, and making deposits.

Cause

The City has a limited number of personnel involved in the accounting function, thus limiting its internal control procedures.

Potential Effect

Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting.

Recommendation

We recommend that the City monitor and evaluate its internal controls with the use of limited personnel and to provide as much segregation of duties as determined to be feasible within its operations.

City's Response

The size and budget of the City of Hamilton, Missouri, limits the application of adequate segregation of duties.

CITY OF HAMILTON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

2019-002 MAINTENANCE/RECONCILIATION OF GENERAL LEDGER ACCOUNTS AND RELIANCE UPON THE AUDITOR

Criteria

As described in our engagement letter, management is responsible for establishing and maintaining internal controls, including maintaining and reconciling general ledger accounts, and for the fair presentation of financial statements, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

Condition

Management should possess the ability to maintain and reconcile general ledger accounts and prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements under this basis of accounting requires that management possess the ability to properly record and classify transactions in a general ledger, reconcile all accounts, measure and record needed adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors.

Cause

City personnel do not obtain the expertise necessary to provide the auditors with a trial balance adjusted in accordance with accounting principles generally accepted in the United States of America and to draft the year end financial statements, supplementary information, and notes to the financial statements.

Potential Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation

We recommend that the City review and approve the proposed auditor adjusting entries and the adequacy of financial statement disclosures prepared by the auditors and apply analytic procedures to the draft financial statements to ensure that all assets and liabilities of the City are recorded, among other procedures as considered necessary by management.

City's Response

The City relies on the auditor to propose adjustments necessary to prepare the financial statements including the related note disclosures. The City reviews such financial statements and approves all adjustments. The City also uses analytic procedures among other procedures necessary to complete the management discussion and analysis.

CITY OF HAMILTON, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

2018-001 SEGREGATION OF DUTIES

Due to the limited number of personnel, and size of the City, there is limited segregation of duties over accounting functions. The same individuals record transactions, reconcile the bank statements, maintain the water billing system, and manages the general ledger functions. Administrative personnel have access to cash receipts, preparing checks, recording transactions, and making deposits. This is a continued finding as noted in item 2019-001.