

**CITY OF HAMILTON, MISSOURI**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the Board of Aldermen  
City of Hamilton  
Hamilton, MO 64644

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, 2017, and the related notes to the financial statements, which collectively comprise the City of Hamilton, Missouri's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hamilton, Missouri, as of June 30, 2017, 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 and budgetary comparison information on pages 3-10 and 41-42 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 the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinions on the basic financial statements are not affected, the following departures from the prescribed guidelines exist. The Management Discussion and Analysis does not include a discussion of variations between budgeted and actual results or the reasons for the variations. 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 statements on pages 43 through 54 are presented for purposes of additional analysis and are not required part of the basic financial statements.

The statements on pages 43 through 54 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the statements on pages 43 through 54 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 30, 2017, on our consideration of the City of Hamilton, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 City of Hamilton, Missouri's internal control over financial reporting and compliance.

*Conrad & Higgins, LLC*

**CONRAD & HIGGINS, LLC**  
Chillicothe, Missouri  
November 30, 2017

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

The discussion and analysis of the City of Hamilton, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements, and other supplemental information, which immediately follow this section.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- The City's total net position is \$4,838,605 as compared to \$3,901,890 in the prior year. The Governmental Activities net position is \$1,223,392 as compared to \$880,509 in the prior year, and the Proprietary Funds net position are \$3,615,213 as compared to \$3,021,381 in the prior year.
- Total revenues of governmental funds were \$1,209,731, for an increase of \$235,246 over the prior year's revenues of \$974,485.
- Total revenues of the proprietary funds were \$1,456,706 for an increase of \$465,169 over prior year total revenue of \$991,537.
- Expenditures for the City's governmental funds of \$1,031,961, increased \$159,552 from the prior year expenditures of \$872,409.
- Expenditures for the City's proprietary funds of \$862,874, decreased \$89,211 from the prior year expenditures of \$952,085.

**Overview of the Financial Statements**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplemental information. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**Overview of the Financial Statements (Concluded)**

- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety, streets and general administration were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's budget for the year.

**Government-Wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The two government-wide statements report the City's net position and how it has changed. Net position- the difference between the City's assets and liabilities- is one way to measure the City's financial health or financial position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, you need to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure and other facilities.

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**Government-Wide Statements (Continued)**

In the statement of net position and the statement of activities, all activities of the City have been classified as governmental. The major activities are described as follows:

**Governmental activities:** All of the City's basic services are reported in this category, including the general government, public safety, streets and parks and recreation. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds- not the city as a whole. Some funds are required to be established by State law. However, the city council establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The City has two kinds of funds:

- **Governmental Funds:** All of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- **Proprietary Funds:** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer operations, which are considered to be major funds of the City of Hamilton.

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**Fund Financial Statements (Continued)**

The Proprietary Fund financial statements can be found in the Basic Financial Statements section of this report.

**Financial Analysis of the City as a Whole**

The increase in capital assets for business-type activities is related to the capitalization of the water line improvements.

The restricted net position figures are for the repayment of bonded debt.

**2016-2017**  
**Statement of Net Position**

	Governmental Activities	Business Type Activities
Current and other assets	\$ 684,564	\$ 903,862
Capital assets	1,208,789	4,823,575
<b>Total assets</b>	<b>\$ 1,893,353</b>	<b>\$ 5,727,437</b>
Bond & leases payable	\$ 509,617	\$ 1,959,284
Other liabilities	160,344	152,940
<b>Total liabilities</b>	<b>\$ 669,961</b>	<b>\$ 2,112,224</b>
Net Position:		
Restricted	\$ 381,827	\$ 428,843
Unrestricted	841,565	3,186,370
<b>Total net position</b>	<b>\$ 1,223,392</b>	<b>\$ 3,615,213</b>



**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**Financial Analysis of the City as a Whole (Continued)**

**2015-2016**  
**Statement of Net Position**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Current and other assets	\$ 495,305	\$ 729,159
Capital assets	1,094,059	4,632,836
<b>Total assets</b>	<b><u>\$ 1,589,364</u></b>	<b><u>\$ 5,361,995</u></b>
Bond payable	\$ 560,000	\$ 2,182,474
Other liabilities	166,005	156,813
<b>Total liabilities</b>	<b><u>\$ 726,005</u></b>	<b><u>\$ 2,339,287</u></b>
Net Position:		
Restricted	\$ 194,058	\$ 365,653
Unrestricted	669,301	2,655,728
<b>Total net position</b>	<b><u>\$ 863,359</u></b>	<b><u>\$ 3,021,381</u></b>

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**Statement of Activities**

The following tables reflect the revenues and expenses for the City's activities for the years ended June 30, 2017, and June 30, 2016.

**2016-2017**  
**City of Hamilton's Statement of Activities**

	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 537,646	\$ 490,143
Special Revenue	489,211	449,555
Debt Service	182,874	92,263
Water	1,050,983	597,669
Sewer	405,723	265,205
Total	\$ 2,666,437	\$ 1,894,835

**2015-2016**  
**City of Hamilton's Statement of Activities**

	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 551,571	\$ 513,165
Special Revenue	368,670	313,812
Debt Service	54,244	45,432
Water	650,116	643,622
Sewer	341,421	308,463
Total	\$ 1,966,022	\$ 1,824,494

Revenues for the water, sewer, and sanitation fund are based on actual water, sewer and sanitation services used. The amount of usage fluctuates with the weather each year. Revenues for one department are not used towards expenses in another department.

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**2016-2017**  
**Combined Statement of Revenues and Expenditures**

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
Revenues	\$ 1,209,731	\$ 1,456,706
Expenditures	<u>1,031,961</u>	<u>862,874</u>
Excess of (deficiency) of revenues over (under) expenditures	177,770	593,832
Transfers (net)	-	-
Net position, July 1, 2016	<u>346,450</u>	<u>3,021,381</u>
Net position, June 30, 2017	<u>\$ 524,220</u>	<u>\$ 3,615,213</u>

**2015-2016**  
**Combined Statement of Revenues and Expenditures**

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
Revenues	\$ 974,485	\$ 991,537
Expenditures	<u>(872,409)</u>	<u>(952,085)</u>
Excess of (deficiency) of revenues over (under) expenditures	102,076	39,452
Transfers	-	40,000
Net position, July 1, 2015	<u>267,224</u>	<u>2,941,929</u>
Net position, June 30, 2016	<u>\$ 369,300</u>	<u>\$ 3,021,381</u>

The Governmental activities consist of general, special revenue and debt service funds. The proprietary funds consist of the water, sewer, and trash.

**City of Hamilton, Missouri**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

**Financial Contact**

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or to request additional information should be directed to Debra Davis, City Clerk, City Hall, Hamilton, Missouri 64644.

City of Hamilton, Missouri  
Government-Wide Statement of Net Position  
For the Year Ended June 30, 2017

<b>ASSETS</b>	Government Activities	Business-Type Activities	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 414,801	\$ 518,598	\$ 933,399
Cash-restricted	167,285	14,088	181,373
Investments:			
Restricted	-	214,495	214,495
Unrestricted	28,552	34,972	63,524
Inventory	-	13,000	13,000
Receivables (net of allowance):			
Accounts	-	96,390	96,390
Taxes	67,905	12,306	80,211
Interest	21	13	34
Due from other funds	6,000	11,360	17,360
<b>Total current assets</b>	<u>684,564</u>	<u>915,222</u>	<u>1,599,786</u>
<b>Non-current assets:</b>			
<b>Capital assets:</b>			
Land	6,517	123,622	130,139
Combined waterworks & sewer system	-	4,896,360	4,896,360
Buildings	393,843	3,522,659	3,916,502
Parks, pools and improvements	1,362,005	-	1,362,005
Equipment, furniture and fixtures	962,529	323,736	1,286,265
Accumulated depreciation	(1,516,105)	(4,054,162)	(5,570,267)
<b>Total non-current assets</b>	<u>1,208,789</u>	<u>4,812,215</u>	<u>6,021,004</u>
<b>Total assets</b>	<u>\$ 1,893,353</u>	<u>\$ 5,727,437</u>	<u>\$ 7,620,790</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 25,243	\$ 27,005	\$ 52,248
Cash overdrawn	57,994	-	57,994
Due to other funds	6,000	11,360	17,360
Payroll taxes and benefits payable	18,494	4,322	22,816
Library tax payable	36,164	-	36,164
Sales tax payable	-	2,436	2,436
Accrued salaries	16,449	1,969	18,418
Customer deposits	-	96,477	96,477
Interest payable	-	9,371	9,371
Bonds and leases payable	105,709	228,331	334,040
<b>Total current liabilities</b>	<u>266,053</u>	<u>381,271</u>	<u>647,324</u>
Bonds and leases payable- long term	403,908	1,730,953	2,134,861
<b>Total liabilities</b>	<u>669,961</u>	<u>2,112,224</u>	<u>2,782,185</u>
<b>NET POSITION</b>			
Invested in net capital assets	699,172	2,864,291	3,563,463
Restricted for:			
Debt service	172,594	428,843	601,437
Street	246,680	-	246,680
Park	(58,460)	-	(58,460)
Economic development	39	-	39
Municipal court	20,974	-	20,974
Unassigned	142,393	322,079	464,472
<b>Total net position</b>	<u>1,223,392</u>	<u>3,615,213</u>	<u>4,838,605</u>
<b>Total liabilities and net position</b>	<u>\$ 1,893,353</u>	<u>\$ 5,727,437</u>	<u>\$ 7,620,790</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**City of Hamilton, Missouri**  
**Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>			
	<u>Expenditures Paid</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>							
General operations	\$ 201,952	\$ 38,857	\$ -	\$ -	\$ (163,095)	\$ -	\$ (163,095)
Police department	268,243	-	-	-	(268,243)	-	(268,243)
Library	1,784	701	-	-	(1,083)	-	(1,083)
Museum	13,053	-	-	-	(13,053)	-	(13,053)
Debt service	92,263	-	-	-	(92,263)	-	(92,263)
Street	134,005	-	-	-	(60,645)	-	(60,645)
Park	35,004	56,904	-	73,360	21,900	-	21,900
Economic dev. & court	4,149	-	-	-	(4,149)	-	(4,149)
<b>Total governmental activities</b>	<u>\$ 750,453</u>	<u>\$ 96,462</u>	<u>\$ -</u>	<u>\$ 73,360</u>	<u>(580,631)</u>	<u>-</u>	<u>(580,631)</u>
<b>Business-type activities:</b>							
Water	\$ 597,669	\$ 618,074	\$ -	\$ 216,014	-	236,419	236,419
Sewer	265,205	404,823	-	-	-	139,618	139,618
<b>Total business-type activities</b>	<u>\$ 862,874</u>	<u>\$ 1,022,897</u>	<u>\$ -</u>	<u>\$ 216,014</u>	<u>-</u>	<u>376,037</u>	<u>376,037</u>
<b>General revenues collected:</b>							
Property taxes					241,370	213,033	454,403
Intergovernmental					72,528	-	72,528
Sales and use tax					463,185	-	463,185
Franchise taxes					105,711	-	105,711
Interest					1,765	2,487	4,252
License and permits					23,249	-	23,249
Miscellaneous					15,706	2,275	17,981
<b>Total general revenues collected</b>					<u>923,514</u>	<u>217,795</u>	<u>1,141,309</u>
<b>Transfers</b>					-	-	-
<b>Change in net position</b>					342,883	593,832	936,715
<b>Net position, July 1, 2016</b>					<u>880,509</u>	<u>3,021,381</u>	<u>3,901,890</u>
<b>Net position, June 30, 2017</b>					<u>\$ 1,223,392</u>	<u>\$ 3,615,213</u>	<u>\$ 4,838,605</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**City of Hamilton, Missouri**  
**Combined Statement of Assets, Liabilities and Net Position**  
**All Governmental Fund Types**  
**For the Year Ended June 30, 2017**

	Governmental Fund Types			Totals Primary Government
	General	Special Revenue	Debt Service Fund	(Memorandum Only)
<b>Assets:</b>				
Cash	\$ 150,637	\$ 264,164	\$ -	\$ 414,801
Cash restricted	263	-	167,022	167,285
Property taxes receivable (net of allowance)	12,690	3,425	5,572	21,687
Sales & motor vehicle taxes receivable	20,711	25,507	-	46,218
Interest receivable	21	-	-	21
Due from other funds	6,000	-	-	6,000
Investments:				
Unrestricted	28,552	-	-	28,552
<b>Total assets</b>	<b>\$ 218,874</b>	<b>\$ 293,096</b>	<b>\$ 172,594</b>	<b>\$ 684,564</b>
<b>Liabilities and net position</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 17,009	\$ 8,234	\$ -	\$ 25,243
Cash overdrawn	-	57,994	-	57,994
Due to general fund	-	6,000	-	6,000
Payroll taxes & benefits payable	13,337	5,157	-	18,494
Library tax payable	36,164	-	-	36,164
Accrued salaries	9,971	6,478	-	16,449
<b>Total liabilities</b>	<b>76,481</b>	<b>83,863</b>	<b>-</b>	<b>160,344</b>
<b>Net Position:</b>				
Restricted for:				
Street	-	246,680	-	246,680
Park	-	(58,460)	-	(58,460)
Economic development	-	39	-	39
Municipal Court	-	20,974	-	20,974
Debt Service	-	-	172,594	172,594
Unrestricted	142,393	-	-	142,393
<b>Total net position</b>	<b>142,393</b>	<b>209,233</b>	<b>172,594</b>	<b>524,220</b>
<b>Total liabilities and net position</b>	<b>\$ 218,874</b>	<b>\$ 293,096</b>	<b>\$ 172,594</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,208,789
Long-term liabilities, including capital leases, certificates of participation and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(509,617)
Net position of governmental activities	<b>\$ 1,223,392</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

**City of Hamilton, Missouri**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Net Position**  
**All Government Fund Types**  
**For the Year Ended June 30, 2017**

	<u>Governmental Fund Types</u>			<u>Totals Primary Government</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>(Memorandum Only)</u>
<b>Revenues:</b>				
Property taxes	\$ 134,676	\$ 40,625	\$ 66,069	\$ 241,370
Franchise taxes	105,711	-	-	105,711
Intergovernmental	-	72,528	-	72,528
Rent	2,310	-	-	2,310
Interest income	898	457	410	1,765
Administrative fees	36,547	-	-	36,547
Sales taxes	233,845	229,340	-	463,185
Licenses, permits & fees	13,035	10,214	-	23,249
Library	701	-	-	701
Operations	-	56,904	-	56,904
Bond proceeds	-	-	116,395	116,395
Grant proceeds	-	73,360	-	73,360
Other	9,923	5,783	-	15,706
<b>Total revenues</b>	<u>537,646</u>	<u>489,211</u>	<u>182,874</u>	<u>1,209,731</u>
<b>Expenditures:</b>				
General funds:				
General operations	222,048	-	-	222,048
Police department	259,712	-	-	259,712
Library	1,784	-	-	1,784
Museum	6,599	-	-	6,599
Debt service	-	-	92,263	92,263
Street	-	320,052	-	320,052
Park	-	119,907	-	119,907
Economic development	-	4,149	-	4,149
Municipal court	-	5,447	-	5,447
<b>Total expenditures</b>	<u>490,143</u>	<u>449,555</u>	<u>92,263</u>	<u>1,031,961</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>47,503</u>	<u>39,656</u>	<u>90,611</u>	<u>177,770</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	3,138	52,100	-	55,238
Operating transfers out	(52,100)	(3,138)	-	(55,238)
<b>Total other financing sources (uses)</b>	<u>(48,962)</u>	<u>48,962</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<u>(1,459)</u>	<u>88,618</u>	<u>90,611</u>	<u>177,770</u>
<b>Net position, July 1, 2016</b>	<u>143,852</u>	<u>120,615</u>	<u>81,983</u>	<u>346,450</u>
<b>Net position, June 30, 2017</b>	<u>\$ 142,393</u>	<u>\$ 209,233</u>	<u>\$ 172,594</u>	<u>\$ 524,220</u>

The accompanying notes to the basic financial statements are an integral part of this statement.



**City of Hamilton, Missouri**  
**Reconciliation of the Combined Statement of Revenues Received, Expenditures Paid and**  
**Changes in Net Position of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

Net change in net position - total governmental funds	\$ 177,770
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	181,835
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(91,390)
Repayment/borrowing of long-term debt uses/provides current financial resources but has no effect on net position.	<u>74,668</u>
Change in net position of governmental activities	<u><u>\$ 342,883</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**City of Hamilton, Missouri**  
**Combined Statement of Net Position-All Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<u>Combined Water &amp; Sewer Funds</u>
<b>Assets</b>	
<b>Current assets:</b>	
Cash	\$ 518,598
Certificate of deposit	14,088
Cash- restricted	214,495
Certificate of deposit-restricted	34,972
Inventory	13,000
Due from water/sewer	11,360
Receivables (net allowance for uncollectible):	
Accounts	96,390
Taxes	12,306
Interest	13
<b>Total current assets</b>	<u>915,222</u>
Property, plant & equipment net of accumulated depreciation	<u>4,812,215</u>
<b>Total assets</b>	<u><u>\$ 5,727,437</u></u>
<b>Liabilities and net position</b>	
<b>Current liabilities:</b>	
Customer deposits	\$ 96,477
Sales tax payable	2,436
Interest payable	9,371
Accounts payable	27,005
Due to meter deposits	11,360
Payroll taxes and benefits payable	4,322
Accrued salaries	1,969
Bonds and notes payable, current	228,331
<b>Total current liabilities</b>	<u>381,271</u>
<b>Noncurrent liabilities:</b>	
Revenue bonds and notes payable	<u>1,730,953</u>
<b>Total noncurrent liabilities</b>	<u>1,730,953</u>
<b>Total liabilities</b>	<u>2,112,224</u>
<b>Net position:</b>	
Restricted	428,843
Unrestricted	<u>3,186,370</u>
<b>Total net position</b>	<u>3,615,213</u>
<b>Total liabilities and net position</b>	<u><u>\$ 5,727,437</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenses and Changes in  
Net Position- All Proprietary Funds  
For the Year Ended June 30, 2017**

	<u>Combined Water &amp; Sewer Funds</u>
<b>Operating revenues:</b>	
Charges for services	\$ 1,021,497
Taxes	213,033
Penalties and connections	1,400
Other	2,275
<b>Total operating revenues</b>	<u>1,238,205</u>
<b>Operating expenses:</b>	
Depreciation	164,981
Salaries and benefits	120,805
Material and supplies	154,181
Professional services	(5,892)
Solid waste	107,614
Repairs and maintenance	209,634
Other operating expenses	71,962
<b>Total operating expenses</b>	<u>823,285</u>
<b>Operating income</b>	<u>414,920</u>
<b>Nonoperating revenues (expenses):</b>	
Grant income	216,014
Interest income	2,487
Interest expense & fiscal charges	(39,589)
<b>Total nonoperating revenues</b>	<u>178,912</u>
<b>Income before operating transfers</b>	593,832
<b>Operating transfers:</b>	
Operating transfers out	-
<b>Total operating transfers</b>	<u>-</u>
<b>Net income</b>	593,832
<b>Net position, July 1, 2016</b>	<u>3,021,381</u>
<b>Net position, June 30, 2017</b>	<u>\$ 3,615,213</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**City of Hamilton, Missouri**  
**Combined Statement of Cash Flows- All Proprietary Fund Types**  
**For the Year Ended June 30, 2017**

	Combined Water & Sewer Funds
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 1,020,615
Cash received from taxpayers	207,231
Cash payments for personnel services	(149,691)
Cash payments for materials and supplies	(153,653)
Cash payments for utilities and telephone	(37,571)
Cash payments for insurance	(6,400)
Cash payments for repairs and maintenance	(209,634)
Cash payments for contractual services	(107,614)
Other operating cash payments	(1,010)
<b>Net cash provided by operating activities</b>	<b>562,273</b>
<b>Cash flows from noncapital financing activities:</b>	
Operating transfers out	-
<b>Net cash used for noncapital financing activities</b>	-
<b>Cash flows from capital and related financing activities:</b>	
Capital grant	216,014
Acquisition of capital assets	(344,361)
Principal paid on revenue bonds	(223,290)
Interest paid on notes and bonds	(42,242)
<b>Net cash used for capital and related financing activities</b>	<b>(393,879)</b>
<b>Cash flows from investing activities:</b>	
Interest received on invested monies	2,529
<b>Net cash provided by investing activities</b>	<b>2,529</b>
<b>Net decrease in cash and restricted cash</b>	170,923
<b>Cash and cash equivalents, July 1, 2016</b>	<b>611,230</b>
<b>Cash and cash equivalents, June 30, 2017</b>	<b>\$ 782,153</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

**City of Hamilton, Missouri**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Combined Water &amp; Sewer Funds</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 414,920
Adjustment to reconcile income from operations to net cash provided by (used for) operating activities:	
Depreciation	164,981
Taxes receivable	(5,802)
Accounts receivable	(7,847)
Inventories	(1,030)
Accounts payable	(5,176)
Sales tax payable	1,131
Accrued salaries	1,285
Payroll taxes and benefits payable	(3,480)
Other non-cash adjustments	3,291
Net cash provided by operations	<u>\$ 562,273</u>
Reconciliation of total cash and cash investments:	
Cash and cash equivalents	\$ 518,598
Certificates of deposit	14,088
Savings-restricted	214,495
Certificates of deposit- restricted	34,972
Total cash and cash equivalents	<u>\$ 782,153</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

City of Hamilton Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1:      Summary of Significant Accounting Policies**

The City of Hamilton, Missouri, (the "City") was incorporated under the provisions of the State of Missouri. The City, as a fourth-class city, operates under the control of the Board of Aldermen and provides the following services as authorized by its charter: utilities, streets, sanitation, public improvements, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America 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 more significant of the government's accounting policies are described below.

The following is a summary of the more significant policies:

**A.      The Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise financial accountability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise financial accountability.

Based upon the application of this criteria, management of the City of Hamilton, Missouri has determined that no other outside agency meets the above criteria, and, therefore, no other agency is included in the City's basic financial statements.

**B.      Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self - balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1: Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in the report. The following major funds are used by the City.

**Governmental Funds**

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 (except those accounted for 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 funds:

**General Fund** - The General Fund is established to account for resources and activities of the City. This fund is the recipient of the general tax revenues and other sources of revenues utilized to finance the fundamental operations of the City, and is charged with general costs of operating the government for which other specific funds have not been established.

**Parks and Recreation Fund**- The Parks and Recreation Fund is a special revenue fund that handles all of the operating revenues and expenditures of the parks department, such as the swimming pool and ball fields.

**Street Fund** - The Street Fund is used to account for the maintenance of the City's streets, financed primarily through sales and motor vehicle taxes.

**Economic Development Fund** – The Economic Development Fund is a special fund than receives funds for the purpose of economic development.

**Municipal Court Fund**- The Municipal Court Fund is a special revenue fund that handles all court fines and fees.

**Debt Service Fund**- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1: Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**Proprietary Funds**

Proprietary funds are used to account for and report those governmental activities that are designed to be self-supporting. The measurement focus is upon determination of net income.

**Enterprise Funds** - Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Water Fund**- The Water Fund is used to account for the water utility that produces and distributes water to City residents.

**Waste Water Fund**- The Waste Water Fund is used to account for the sewer utility that provides sewer services to the City's residents.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The City's policy is to prepare its government-wide financial statements on the accrual basis of accounting which recognizes all long-term fixed asset accounts and long term-term debt obligations. The City's policy is to prepare its fund financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned and expenditures are recognized when the obligation is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1: Summary of Significant Accounting Policies (continued)**

**D. Property, Plant and Equipment**

Property, plant and equipment of the City's proprietary funds, including capitalized interest, are stated at cost or estimated historical cost. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 to 60 years
Improvements Other than Buildings	10 to 20 years
Infrastructure	5 to 60 years
Water System	40 to 65 years
Equipment	6 to 15 years

It is the City's policy to capitalize interest related to borrowings used for construction projects net of interest earned on construction funds borrowed. Interest capitalization ceases when the construction project is substantially complete. There was no interest expense capitalized in 2015.

In the government-wide financial statements, capital assets are accounted for as long-term assets. All capital assets are valued at historical cost.

GASB 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. There were no new infrastructure assets constructed during the year ended June 30, 2017.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30 to 60 years
Improvements Other than Buildings	10 to 20 years
Infrastructure	5 to 60 years
Water System	40 to 65 years
Equipment	6 to 15 years

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1: Summary of Significant Accounting Policies (continued)**

**D. Property, Plant and Equipment (Continued)**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in the proprietary fund operations are accounted for the same as in the government-wide financial statements.

**E. Budgets and Budgetary Accounting**

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

- 1) In accordance with Chapter 67, RSMo, the City adopts a budget for each fund of the political subdivision.
- 2) Prior to July 1, the City Administrator submits to the City Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all city funds. Budgeted expenditures cannot exceed beginning monies plus estimated revenues for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Aldermen, the budget document is available for public inspection.
- 4) The budget is legally enacted through passage of an ordinance.
- 5) Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the basic financial statements.

Budgeted amounts are as originally adopted or as finally amended by the Board of Aldermen. Individual amendments were not material in relation to the original appropriations which were amended. Unused appropriations lapse at the end of the fiscal year.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1:      Summary of Significant Accounting Policies (continued)**

**F.      Receivables**

All receivables of the City are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the various funds are recognized at the end of each fiscal year on pro rata basis. The estimated amount is based on billings during the month of June.

**G.      Compensated Absences**

Under 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 carries over to future periods and is not paid at the end of each fiscal year.

**H.      Cash and Cash Equivalents**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand accounts and certificates of deposit with an original maturity of three months or less.

**I.      Use of Estimates**

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

**J.      Inventories**

Inventories are carried at the lower of cost or market value with cost being determined on a first in, first out (FIFO) basis of accounting. Inventory acquisitions in the General Fund are charged as expenditures when purchased.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 1:      Summary of Significant Accounting Policies (continued)**

**K.   Restricted Assets**

Restricted Assets of the Governmental Funds and Enterprise Funds consist of checking and certificates of deposit which have been set aside, based on certain bond covenants, to provide for the redemption of bonds in the future years and to service outstanding debt as well as pay back customers' security deposits. It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L.   Encumbrance Accounting**

The City employed encumbrance accounting during the year. Encumbrances, if existing at the end of the fiscal year, are recorded and appropriations lapse at year end. Open encumbrances, if any, are reported as a reservation of fund balance, since the commitments would be honored in subsequent years.

**M.   Long-Term Obligations**

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund type statement of net position. Bond premiums and discounts, as well as deferred charges, are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred charges. Prior bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Current bond issuance costs are expensed in the fiscal year paid.

**N.   Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They include all revenues and expenses not related to capital and related financing, or noncapital financing. General revenues include gains on sales of capital assets, investing activities, and miscellaneous transactions.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 2: Deposits and Investment**

*Custodial Credit Risk*—Missouri authorizes the City of Hamilton, 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. At June 30, 2017, the carrying amount of deposits and investments was \$1,315,179 and \$77,612 and the bank balance was \$1,400,771 and \$77,612. All of the bank balances were covered by federal depository insurance or by collateral held by the pledging financial institution's trust department or agent in the Utilities' name.

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

*Interest Rate Risk*—The Utilities has no formal investment policy regarding interest rate risk.

*Credit Risk*—The City has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 2: Deposits and Investment (Continued)**

*Concentration of Investment Credit Risk*—The City places no limit on the amount it may invest in any one issuer. At June 30, 2017, the City had no concentration of credit risk.

Carrying Amount of deposits	\$ 1,315,179
Carrying Amount of Investments	77,612
Totals	<u>\$ 1,392,791</u>
Cash	\$ 933,399
Investments	49,060
Cash-Restricted	381,780
Investments-Restricted	28,552
Totals	<u>\$ 1,392,791</u>

**Note 3: Restricted Assets and Net Position**

The restricted assets represent cash reserved in accordance with the revenue bond ordinance and can be used only for the following:

Debt Service Account: payment of the next installment of interest and principal becoming due.

Debt Service Reserve Account: payment of principal and interest only when and to the extent that other funds are not available for that purpose.

Depreciation and Replacement Account: replacements to the fixed assets that may be necessary for the continued effective and efficient operation of the utilities.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 4: Governmental Fund Property, Plant and Equipment**

The following is a summary of governmental fund type capital assets for the primary government at June 30, 2017.

<u>General, Street and Police</u>	Beginning Balance	Additions	Ending Balance
General	\$ 399,593	\$ -	\$ 399,593
Police	164,878	24,859	189,737
Park	828,008	-	828,008
Pool	358,638	-	358,638
Street	468,262	156,976	625,238
Museum	323,680	-	323,680
	<u>2,543,059</u>	<u>181,835</u>	<u>2,724,894</u>
Less accumulated depreciation:			
General	276,641	10,457	287,098
Police	113,140	18,058	131,198
Park	458,238	17,560	475,798
Pool	10,460	17,932	28,392
Street	295,185	20,929	316,114
Museum	271,051	6,454	277,505
	<u>1,424,715</u>	<u>91,390</u>	<u>1,516,105</u>
Net property, plant and equipment	<u>\$ 1,118,344</u>	<u>\$ 90,445</u>	<u>\$ 1,208,789</u>

Depreciation for the year ended June 30, 2017 was \$81,863.

**Note 5: Proprietary Funds – Property, Plant and Equipment**

The following is a summary of the property, plant and equipment of the Water and Sewer Funds at June 30, 2017, (Note 1D):

	Balance June 30 2016	Additions	Deletions	Balance June 30 2017
Waterworks system	\$ 5,577,021	\$ 308,054	\$ -	\$ 5,885,075
Water access easement	652,000	-	-	652,000
Sewerage system	2,292,995	36,307	-	2,329,302
	<u>8,522,016</u>	<u>344,361</u>	<u>-</u>	<u>8,866,377</u>
Less accumulated depreciation:				
Waterworks system	2,774,674	124,007	-	2,898,681
Sewerage system	1,114,506	40,975	-	1,155,481
	<u>3,889,180</u>	<u>164,982</u>	<u>-</u>	<u>4,054,162</u>
Net Waterworks & Sewerage system	<u>\$ 4,632,836</u>	<u>\$ 179,379</u>	<u>\$ -</u>	<u>\$ 4,812,215</u>

Depreciation for the year ended June 30, 2017, was \$164,982.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt**

The following is a summary of each of the bond and transactions of the City for the year ended June 30, 2017, broken down by type.

**General Obligation Bonds - Swimming Pool -Series 2015**

The following is a summary of the General Obligation Bonds- Swimming Pool of the City as of June 30, 2017.

	<u>Swimming Pool</u>
Bond Payable, July 1, 2016	\$ 460,000
Add- Bond Issued	-
Less- Bonds Retired	<u>(40,000)</u>
Bonds Payable June 30, 2017	<u>\$ 420,000</u>

\$500,000 swimming pool GOB bonds, dated May 15, 2015, due in annual installments of \$40,000 to \$60,000 commencing March 1, 2016, through March 1, 2016; interest rates are 0.90% to 3.20%, payable March 1 and September 1.

\$ 420,000

Debt service requirements to maturity for the swimming pool bonds are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 45,000	\$ 10,917	\$ 55,917
2019	45,000	10,175	55,175
2020	50,000	9,320	59,320
2021	50,000	8,220	58,220
2022	55,000	6,970	61,970
2023-2026	<u>175,000</u>	<u>11,130</u>	<u>186,130</u>
Total	<u>\$ 420,000</u>	<u>\$ 56,732</u>	<u>\$ 476,732</u>

The amount of interest paid for the year ended June 30, 2017, was \$11,458.



City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt (Continued)**

**Sewer System Improvement Bonds-Series 1997E**

The following is a summary of the Sewer System Improvement Bonds Series 1997E bonds for the City as of June 30, 2017.

	1997E Water Bonds
Bonds Payable, July 1, 2016	\$ 265,000
Add - Bond Issued	-
Less- Bond Retired	85,000
Bonds Payable June 30, 2017	\$ 180,000

\$1,500,000 Sewer System Improvement Revenue  
Bonds dated, December 1997, due in varying  
annual installments of \$65,000 to \$90,000  
through 2021; interest rates are 4.00% to  
5.125%, payable January 1 and July 1.

\$ 180,000

Debt service requirements to maturity for the 1997E Sewer System Improvement bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 90,000	\$ 9,225	\$ 99,225
2019	90,000	4,613	94,613
Totals	\$ 180,000	\$ 13,838	\$ 193,838

The amount of interest paid for the year ended June 30, 2017, was \$13,581.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt (Continued)**

**Waterworks Refunding Revenue Bonds – Series 2012**

The following is a summary of the 2012 Waterworks Refunding Bonds for the City as of June 30, 2017.

	2012 Water Bonds
Bonds Payable, July 1, 2016	\$ 490,000
Add- Bond Issued	-
Less- Bonds Retired	50,000
Bonds Payable, June 30, 2017	\$ 440,000

\$685,000 Waterworks Refunding Bonds dated June 18, 2012, due in varying annual installments of \$50,000 to \$110,000 through 2024; interest rates are 1.25% to 4.00%, payable December 1 and June 1.

\$ 440,000

Debt service requirements to maturity for the Waterworks Refunding Revenue Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 50,000	\$ 15,693	\$ 65,693
2019	50,000	14,317	64,317
2020	55,000	12,818	67,818
2021	55,000	11,002	66,002
2022	60,000	9,050	69,050
2023-2025	170,000	11,200	181,200
Totals	\$ 440,000	\$ 74,080	\$ 514,080

The amount of interest paid for the year ended June 30, 2017, was \$16,942.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt (Continued)**

**Waterworks Revenue Bonds – Series 2007B**

The following is a summary of the 2007B Waterworks Revenue Bonds for the City as of June 30, 2017.

	2007B Water Bonds
Bonds Payable, July 1, 2016	\$ 300,000
Add- Bonds Issued	-
Less- Bonds Retired	25,000
Bonds Payable, June 30, 2017	\$ 275,000

\$385,000 Waterworks Revenue Bonds dated July 1, 2008, due in varying annual installments of \$5,000 to \$35,000 through 2026; interest rates are 4.00% to 4.75%, payable January 1 and July 1.

\$ 275,000

Debt service requirements to maturity for Waterworks Revenue Bonds Series 2007B are as follows:

Year Ended	Principal	Interest	Total
<u>June 30,</u>			
2018	\$ 25,000	\$ 12,512	\$ 37,512
2019	25,000	11,450	36,450
2020	30,000	10,200	40,200
2021	30,000	9,000	39,000
2022	30,000	7,763	37,763
2023-2027	135,000	16,350	151,350
Totals	\$ 275,000	\$ 67,275	\$ 342,275

The amount of interest paid for the year ended June 30, 2017, was \$13,513.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt (Continued)**

**Waterworks Revenue Bonds- Series 2013A**

The following is a summary of the Waterworks Revenue Bonds Series 2013A bonds for the City as of June 30, 2017.

	<u>2013A Water Bonds</u>
Bonds Payable, July 1, 2016	\$ 130,000
Add- Bond Issued	-
Less- Bonds Retired	-
Bonds Payable June 30, 2017	<u>\$ 130,000</u>

\$130,000 Waterworks Revenue Bonds,  
dated, February 2013, due in interest only  
annual installments of \$4,680 through  
2024; principal installments of \$65,000 in 2025-26;  
interest rates are 3.6%, payable January 1 and  
July 1.

<u>\$ 130,000</u>
-------------------

Debt service requirements to maturity for the 2013A Waterworks Revenue Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ -	\$ 4,680	\$ 4,680
2019	-	4,680	4,680
2020	-	4,680	4,680
2021	-	4,680	4,680
2022	-	4,680	4,680
2023-2026	130,000	16,380	146,380
Totals	<u>\$ 130,000</u>	<u>\$ 39,780</u>	<u>\$ 169,780</u>

The amount of interest paid for the year ended June 30, 2017, was \$4,680.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt (Continued)**

**Sewerage System Bonds-Series 2013B**

The following is a summary of the Sewerage System Bonds Series 2013B bonds for the City as of June 30, 2017.

	<u>Waterworks and Sewerage System Bonds</u>
Bonds Payable, July 1, 2016	\$ 315,000
Add- Bonds Issued	-
Less- Bonds Retired	-
Bonds Payable, June 30, 2017	<u>\$ 315,000</u>

\$315,000 Sewerage System Bonds,  
dated February 2013, due in varying  
annual installments of \$50,000 to \$ 55,000  
from 2018 through 2023; interest rates are  
1.75% to 3.0%, payable January 1 and July 1.

	<u>\$ 315,000</u>
--	-------------------

Debt service requirements to maturity for the Sewerage System Bonds are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,000	\$ 7,890	\$ 57,890
2019	50,000	6,890	56,890
2020	55,000	5,790	60,790
2021	55,000	4,470	59,470
2022-2024	105,000	4,540	109,540
Totals	<u>\$ 315,000</u>	<u>\$ 29,580</u>	<u>\$ 344,580</u>

The amount of interest paid for the year ended June 30, 2017, was, \$8,765.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 6: Long-Term Debt (Continued)**

**Waterworks and Sewerage System Revenue Bond – USDA**

The following is a summary of the Waterworks and Sewerage System Revenue Bonds - USDA for the City as of June 30, 2017.

	2014 Water Bonds
Bonds Payable, July 1, 2016	\$ 632,574
Add- Bond Issued	-
Less- Bonds Retired	(13,290)
Bonds Payable June 30, 2017	\$ 619,284

\$619,284 Waterworks and Sewerage System Revenue Bonds, dated, December 2014, due in semi-annual installments of \$13,302 through 2049; interest rates are 2.114%, payable June 1 and December 1.

619,284
\$ 619,284

Debt service requirements to maturity for the 2014 Waterworks Revenue Bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 13,331	\$ 13,273	\$ 26,604
2019	13,620	12,984	26,604
2020	13,915	12,689	26,604
2021	14,216	12,388	26,604
2022	14,524	12,080	26,604
2023-2027	77,478	55,542	133,020
2028-2032	86,241	46,779	133,020
2033-2037	95,994	37,026	133,020
2038-2042	106,581	26,439	133,020
2043-2047	118,935	14,085	133,020
2048-2050	64,449	2,081	66,530
Totals	\$ 619,284	\$ 245,366	\$ 864,650

The amount of interest paid for the year ended June 30, 2017, was \$13,314.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 7: Capital Leases**

On September 20, 2012, the City financed street improvements in the amount of \$150,000. The lease will provide for interest at 2.00% and annual payments of \$50,000. The City also purchased vehicles for the police department on January 13, 2015 and September 9, 2016 for \$29,832 and \$24,860. The leases include annual payments of \$6,645 with an interest rate of 3.65% for the truck and monthly payments of \$461 with an interest rate of 4.25% for the car. Although the agreements provide for cancellation of leases at the City's option at the renewal date each year, the City does not foresee exercising its options to cancel. Therefore, City's lease is accounted for as noncancelable capital City lease in accordance with Statement of Financial Accounting Standards No. 13, "Accounting for Leases".

The following is a schedule of the future minimum lease payments under the leases (assuming noncancellation):

Street Improvements Lease:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,000	\$ 1,000	\$ 51,000
Total	<u>\$ 50,000</u>	<u>\$ 1,000</u>	<u>\$ 51,000</u>

The amount of interest paid for the year ended June 30, 2017 was \$2,000.

Vehicle Leases:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,709	\$ 1,465	\$ 12,174
2019	11,133	1,041	12,174
2020	11,557	617	12,174
2021	5,336	192	5,528
2022	882	39	921
	<u>\$ 39,617</u>	<u>\$ 3,354</u>	<u>\$ 42,971</u>

The amount of interest paid for the year ended June 30, 2017 was \$17,325.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 8: Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 1 and are payable at that time. All unpaid taxes levied December 1 become delinquent on January 1 of the following year.

The assessed valuations of the tangible taxable property (excluding state assessed railroad and utilities) for the calendar year 2016 for purpose of local taxation were:

Real Estate	\$ 10,419,440
Personal Property	3,367,480
State-Assessed Railroad and Utility	981,330
Total	<u>\$ 14,768,250</u>

The tax levy per \$100 of the assessed valuations of tangible taxable property for the calendar year 2016 for purposes of local taxation was:

	<u>Unadjusted</u>	<u>Adjusted</u>
General Revenue	\$ 0.9292	\$ 0.9292
Parks and Recreation	0.2508	0.2508
Library	0.3030	0.3030
Debt Service	1.3091	1.3091
Total	<u>\$ 2.7921</u>	<u>\$ 2.7921</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 103.88% of the current assessment computed on the basis of the levy as shown above.



City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 9: Commitments and Contingencies**

Intergovernmental awards received by the City of Hamilton are subject to audit and adjustment by the funding agency or its representatives. These reviews and audits could lead to requests for reimbursement or to withholding of future finding for expenditures disallowed under or other noncompliance with the terms of the grants and funding. The City is not aware of any noncompliance with Federal or State provisions that might require the City to provide reimbursement.

The City is also unaware of any material contingent liabilities that exist as of November 30, 2017.

**Note 10: Disclosures About Fair Value of Financial Instruments**

The City's financial statements consist principally of cash, certificates of deposits and bonds payable. There are no significant differences between the carrying value and fair value of any of these financial instruments.

**Note 11: GASB STATEMENT NO. 54 – FUND BALANCE (NET POSITION) REPORTING**

The objective of this Statement is to enhance the usefulness of net position information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes net position classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting net position information is identifying amounts that are considered *nonspendable*, such as fund balance associated with scholarships.

The *restricted* net position category includes amounts that are can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation such as taxes levied by a vote of the public.

City of Hamilton, Missouri  
Notes to the Financial Statements  
Year Ended June 30, 2017

**Note 11: GASB STATEMENT NO. 54 – FUND BALANCE (NET POSITION) REPORTING (Continued)**

*Unassigned* net position is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted.

**Note 12: Subsequent Events**

Management has evaluated subsequent events through November 30, 2017, the date which the financial statements were available for issue.

The City has received a Notice of Violation from the Missouri Department of Natural Resources. If the City is unable to reach a resolution with the Department as to the violations, then there are possible penalties of up to \$10,000 per day for each violation. The City is taking substantial steps towards correcting the violations and believe a resolution will be reached.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Statements of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds – Budget and Actual**

These statements of budget and actual information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board and accounting principles generally accepted in the United States of America.

**City of Hamilton, Missouri**  
**Combined Statement of Revenues, Expenditures and Changes**  
**in Net Position- Budget and Actual-Budgetary Basis**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 134,482	\$ 134,482	\$ 134,676	\$ 194
Property taxes - Library	42,958	42,958	-	(42,958)
Cigarette tax	4,300	4,300	3,884	(416)
Franchise fees	100,000	100,000	101,827	1,827
Rent	1,330	1,330	2,310	980
Interest income	400	400	898	498
Administrative fees	36,000	36,000	36,547	547
Sale taxes	175,000	175,000	233,845	58,845
Licenses, permits, and fees	12,800	12,800	13,035	235
Library	11,300	11,300	701	(10,599)
Police Misc.	1,000	1,000	1,115	115
Grant	10,000	10,000	-	(10,000)
Other	5,000	5,000	8,808	3,808
<b>Total revenues</b>	<u>534,570</u>	<u>534,570</u>	<u>537,646</u>	<u>3,076</u>
<b>Expenditures:</b>				
General operations	221,093	234,193	222,048	12,145
Police department	293,150	282,450	259,712	22,738
Library	6,100	6,100	1,784	4,316
Museum	8,400	8,400	6,599	1,801
<b>Total expenditures</b>	<u>528,743</u>	<u>531,143</u>	<u>490,143</u>	<u>41,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 5,827</u>	<u>\$ 3,427</u>	<u>47,503</u>	<u>\$ 44,076</u>
<b>Other financing sources (uses)</b>				
Operating transfers in			3,138	
Operating transfers out			(52,100)	
<b>Total other financing sources (uses)</b>			<u>(48,962)</u>	
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>			(1,459)	
<b>Net position, July 1, 2016</b>			<u>143,852</u>	
<b>Net position, June 30, 2017</b>			<u>\$ 142,393</u>	

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Combined Statement of Revenues, Expenditures and Changes**  
**in Net Position- Budget and Actual**  
**Special Revenue Funds**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Sales taxes	\$ 190,000	\$ 190,000	\$ 228,702	\$ 38,702
Property taxes	36,298	36,298	40,625	4,327
Intergovernmental	70,600	70,600	72,306	1,706
Interest income	150	150	457	307
Operations	72,708	75,003	56,904	(18,099)
Fines and fees	12,500	13,500	10,214	(3,286)
Grant income	73,360	79,244	73,360	(5,884)
Miscellaneous	57,979	50,570	5,783	(44,787)
<b>Total revenues</b>	<u>513,595</u>	<u>515,365</u>	<u>488,351</u>	<u>(27,014)</u>
<b>Expenditures:</b>				
Street	377,653	376,653	320,052	56,601
Park	116,975	124,445	119,907	4,538
Economic development	5,010	5,010	4,149	861
Municipal court	9,650	10,650	5,447	5,203
<b>Total expenditures</b>	<u>509,288</u>	<u>516,758</u>	<u>449,555</u>	<u>67,203</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 4,307</u>	<u>\$ (1,393)</u>	<u>38,796</u>	<u>\$ 40,189</u>
<b>Other financing sources (uses)</b>				
Operating transfers in			52,100	
Operating transfers out			<u>(3,138)</u>	
<b>Total other financing sources (uses)</b>			<u>48,962</u>	
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>			87,758	
<b>Net position, July 1, 2016</b>			<u>120,615</u>	
<b>Net position, June 30, 2017</b>			<u>\$ 208,373</u>	

See accompanying notes to the financial statements.

SUPPLEMENTARY INFORMATION

**City of Hamilton, Missouri**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**General Fund**  
**For the Year Ended June 30, 2017**

	General Department	Police Department	Library	Museum	Totals (Memorandum Only)
<b>Revenues:</b>					
Property taxes	\$ 134,676	\$ -	\$ -	\$ -	\$ 134,676
Franchise taxes	105,711	-	-	-	105,711
Rent	2,310	-	-	-	2,310
Interest income	898	-	-	-	898
Administrative income	36,547	-	-	-	36,547
Sales taxes	233,845	-	-	-	233,845
Licenses and permits	13,035	-	-	-	13,035
Library	-	-	701	-	701
Other	6,858	1,115	-	1,950	9,923
<b>Total revenues</b>	<u>533,880</u>	<u>1,115</u>	<u>701</u>	<u>1,950</u>	<u>537,646</u>
<b>Expenditures:</b>					
Salaries and wages	90,871	163,200	-	-	254,071
Payroll taxes	4,159	11,165	-	-	15,324
Employee benefits	17,774	24,869	-	-	42,643
Dispatch	-	9,000	-	-	9,000
Utilities and telephone	14,971	4,866	1,375	2,937	24,149
Insurance	4,544	3,200	-	-	7,744
Capital outlay	7,800	21,227	-	-	29,027
Printing & publications	333	-	-	-	333
Zoning	506	-	-	-	506
Repairs & maintenance	4,853	2,610	409	3,662	11,534
Uniforms	-	2,434	-	-	2,434
Professional fees	37,006	704	-	-	37,710
Postage	1,132	-	-	-	1,132
Vehicle maintenance	-	10,031	-	-	10,031
Office supplies	4,451	2,164	-	-	6,615
Training	2,658	1,989	-	-	4,647
Bad checks	35	-	-	-	35
Street light electricity	30,473	-	-	-	30,473
Miscellaneous	482	2,253	-	-	2,735
<b>Total expenditures</b>	<u>222,048</u>	<u>259,712</u>	<u>1,784</u>	<u>6,599</u>	<u>490,143</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>					47,503
<b>Other financing sources (uses)</b>					
Operating transfers in					3,138
Operating transfers out					<u>(52,100)</u>
<b>Total other financing sources (uses)</b>					<u>(48,962)</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>					(1,459)
<b>Net position, July 1, 2016</b>					<u>143,852</u>
<b>Net position, June 30, 2017</b>					<u>\$ 142,393</u>

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Statement of Expenditures Compared to Budget-Budgetary Basis**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>General Department</b>				
Salaries and wages	\$ 51,440	\$ 51,440	\$ 90,871	\$ (39,431)
Payroll taxes	12,000	10,500	4,159	6,341
Employee benefits	16,150	13,150	17,774	(4,624)
Utilities and telephone	23,750	23,750	14,971	8,779
Insurance	6,700	3,950	4,544	(594)
Capital outlay	7,800	7,800	7,800	-
Printing and publications	2,500	2,500	333	2,167
Zoning	500	500	506	(6)
Repairs and maintenance	4,800	4,800	4,853	(53)
Professional services	10,000	30,000	37,006	(7,006)
Postage	2,000	2,000	1,132	868
Office supplies	5,000	5,000	4,451	549
Training	2,000	2,000	2,658	(658)
Bad checks	100	100	35	65
Street light electricity	29,000	29,000	30,473	(1,473)
Miscellaneous	3,500	3,850	482	3,368
Property tax-Library	43,853	43,853	-	(43,853)
<b>Total General Department</b>	<u>221,093</u>	<u>234,193</u>	<u>222,048</u>	<u>12,145</u>
<b>Police Department</b>				
Salaries and wages	182,000	181,000	163,200	17,800
Payroll taxes	13,500	13,500	11,165	2,335
Employee benefits	26,300	14,300	24,869	(10,569)
Dispatch	9,000	9,000	9,000	-
Utilities and telephone	6,200	5,000	4,866	134
Insurance	6,700	10,700	3,200	7,500
Capital outlay	23,000	23,000	21,227	1,773
Repairs and maintenance	2,500	2,500	2,610	(110)
Uniforms	5,600	5,600	2,434	3,166
Professional fees	1,000	1,000	704	296
Vehicle maintenance	10,000	10,000	10,031	(31)
Animal control	150	150	411	(261)
Office supplies	3,000	2,500	2,164	336
Training	2,200	2,200	1,989	211
Miscellaneous	2,000	2,000	1,842	158
<b>Total Police Department</b>	<u>293,150</u>	<u>282,450</u>	<u>259,712</u>	<u>22,738</u>
<b>Library</b>				
Utilities and telephone	5,100	5,100	1,375	3,725
Repairs and maintenance	1,000	1,000	409	591
<b>Total Library</b>	<u>6,100</u>	<u>6,100</u>	<u>1,784</u>	<u>4,316</u>
<b>Museum</b>				
Utilities and telephone	3,400	3,400	2,937	463
Repairs and maintenance	5,000	5,000	3,662	1,338
<b>Total Museum</b>	<u>8,400</u>	<u>8,400</u>	<u>6,599</u>	<u>1,801</u>
<b>Total</b>	<u>\$ 528,743</u>	<u>\$ 531,143</u>	<u>\$ 490,143</u>	<u>\$ 41,000</u>

See accompanying notes to the financial statements.



City of Hamilton, Missouri  
Statement of Net Position-Special Revenue Funds  
For the Year Ended June 30, 2017

	Street Fund	Park Fund	Economic Development Fund	Municipal Court Fund	(Memorandum Only) Totals
<b>Assets:</b>					
Cash	\$ 230,973	\$ 12,178	\$ 39	\$ 20,974	\$ 264,164
Taxes receivables (net of allowance)	25,507	3,425	-	-	28,932
<b>Total assets</b>	<u>\$ 256,480</u>	<u>\$ 15,603</u>	<u>\$ 39</u>	<u>\$ 20,974</u>	<u>\$ 293,096</u>
<b>Liabilities and net position</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 3,880	\$ 4,354	\$ -	\$ -	\$ 8,234
Cash overdrawn	-	57,994	-	-	57,994
Due to general fund	-	6,000	-	-	6,000
Payroll taxes & benefits payable	4,720	437	-	-	5,157
Accrued salaries	1,200	5,278	-	-	6,478
<b>Total liabilities</b>	<u>9,800</u>	<u>74,063</u>	<u>-</u>	<u>-</u>	<u>83,863</u>
<b>Net position:</b>					
Restricted	246,680	(58,460)	39	20,974	209,233
<b>Total net position</b>	<u>246,680</u>	<u>(58,460)</u>	<u>39</u>	<u>20,974</u>	<u>209,233</u>
<b>Total liabilities and net position</b>	<u>\$ 256,480</u>	<u>\$ 15,603</u>	<u>\$ 39</u>	<u>\$ 20,974</u>	<u>\$ 293,096</u>

See accompanying notes to the financial statements.

City of Hamilton, Missouri  
Statement of Revenues, Expenditures and Changes in Net Position  
All Special Revenue Funds  
For the Year Ended June 30, 2017

	Street Fund	Park Fund	Economic Development Fund	Municipal Court Fund	(Memorandum Only) Totals
<b>Revenues:</b>					
Property taxes	\$ -	\$ 40,625	\$ -	\$ -	\$ 40,625
Sales taxes	229,340	-	-	-	229,340
Fines and fees	-	-	-	10,214	10,214
Intergovernmental revenues	72,528	-	-	-	72,528
Interest	358	-	1	98	457
Operations	-	56,904	-	-	56,904
Grant income	73,360	-	-	-	73,360
Miscellaneous	347	3,436	2,000	-	5,783
<b>Total revenues</b>	<u>375,933</u>	<u>100,965</u>	<u>2,001</u>	<u>10,312</u>	<u>489,211</u>
<b>Expenditures:</b>					
Salaries and wages	31,281	61,147	3,947	-	96,375
Employee benefits	12,711	3,000	202	-	15,913
Payroll taxes	2,292	3,343	-	-	5,635
Professional fees	4,591	77	-	-	4,668
Vehicle maintenance	2,706	-	-	-	2,706
Materials and supplies	25,802	8,025	-	-	33,827
Repairs and maintenance	178,112	13,800	-	-	191,912
Uniforms	190	-	-	-	190
Utilities	1,403	6,387	-	-	7,790
Programs	-	16,156	-	873	17,029
Insurance	3,200	3,200	-	-	6,400
Lease payment	52,103	-	-	-	52,103
Miscellaneous	5,661	4,772	-	4,574	15,007
<b>Total expenditures</b>	<u>320,052</u>	<u>119,907</u>	<u>4,149</u>	<u>5,447</u>	<u>449,555</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	55,881	(18,942)	(2,148)	4,865	39,656
<b>Other financing sources (uses):</b>					
Operating transfers in	10,000	40,000	2,100	-	52,100
Operating transfers out	-	-	-	(3,138)	(3,138)
<b>Total other financing sources</b>	<u>10,000</u>	<u>40,000</u>	<u>2,100</u>	<u>(3,138)</u>	<u>48,962</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	65,881	21,058	(48)	1,727	88,618
<b>Net position, July 1, 2016</b>	<u>180,799</u>	<u>(79,518)</u>	<u>87</u>	<u>19,247</u>	<u>120,615</u>
<b>Net position, June 30, 2017</b>	<u>\$ 246,680</u>	<u>\$ (58,460)</u>	<u>\$ 39</u>	<u>\$ 20,974</u>	<u>\$ 209,233</u>

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Street Fund**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual- Budgetary Basis**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Sales taxes	\$ 190,000	\$ 190,000	\$ 229,340	\$ 39,340
Intergovernmental	70,600	70,600	72,528	1,928
Interest	100	100	358	258
Grant	73,360	73,360	73,360	-
Miscellaneous	43,600	43,600	347	(43,253)
<b>Total revenues</b>	<u>377,660</u>	<u>377,660</u>	<u>375,933</u>	<u>(1,727)</u>
<b>Expenditures:</b>				
Salaries and wages	31,200	31,200	31,281	(81)
Employee benefits	9,750	9,750	12,711	(2,961)
Payroll taxes	1,100	1,100	2,292	(1,192)
Professional fees	4,500	4,500	4,591	(91)
Vehicle maintenance	10,500	10,500	2,706	7,794
Materials and supplies	42,500	40,500	25,802	14,698
Repairs and maintenance	206,772	209,272	178,112	31,160
Uniforms	700	700	190	510
Utilities	1,900	1,900	1,403	497
Insurance	6,700	5,700	3,200	2,500
Lease payment	52,031	52,031	52,103	(72)
Miscellaneous	10,000	9,500	5,661	3,839
<b>Total expenditures</b>	<u>377,653</u>	<u>376,653</u>	<u>320,052</u>	<u>56,601</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 7</u>	<u>\$ 1,007</u>	<u>55,881</u>	<u>\$ 54,874</u>
<b>Other financing sources (uses)</b>				
Operating transfers in			<u>10,000</u>	
<b>Total other financing sources (uses)</b>			<u>10,000</u>	
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>			<u>65,881</u>	
<b>Net position, July 1, 2016</b>			<u>180,799</u>	
<b>Net position, June 30, 2017</b>			<u>\$ 246,680</u>	

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Park Fund**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual-Budgetary Basis**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 36,298	\$ 36,298	\$ 40,625	\$ 4,327
Interest	-	-	-	-
Operations	72,708	75,003	56,904	(18,099)
Miscellaneous	8,495	6,970	3,436	(3,534)
<b>Total revenues</b>	<u>117,501</u>	<u>118,271</u>	<u>100,965</u>	<u>(17,306)</u>
<b>Expenditures:</b>				
Salaries and wages	64,000	60,000	61,147	(1,147)
Employee benefits	-	-	3,000	(3,000)
Payroll taxes	4,500	4,500	3,343	1,157
Professional fees	100	100	77	23
Materials and supplies	11,700	11,700	8,025	3,675
Repairs and maintenance	3,000	20,170	13,800	6,370
Utilities	5,900	5,900	6,387	(487)
Programs	12,975	12,975	16,156	(3,181)
Insurance	6,700	6,200	3,200	3,000
Miscellaneous	8,100	2,900	4,772	(1,872)
<b>Total expenditures</b>	<u>116,975</u>	<u>124,445</u>	<u>119,907</u>	<u>4,538</u>
<b>Other financing sources (uses)</b>				
Operating transfers in			<u>40,000</u>	
<b>Total other financing sources (uses)</b>			<u>40,000</u>	
<b>Expenditures (deficiency) of revenues over (under) expenditures</b>	<u>\$ 526</u>	<u>\$ (6,174)</u>	(18,942)	<u>\$ (12,768)</u>
<b>Net position, July 1, 2016</b>			<u>(79,518)</u>	
<b>Net position, June 30, 2017</b>			<u>\$ (58,460)</u>	

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Economic Development Fund**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual-Budgetary Basis**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 1	\$ 1
Donations	5,884	5,884	2,000	(3,884)
<b>Total revenues</b>	5,884	5,884	2,001	(3,883)
<b>Expenditures:</b>				
Salaries and wages	4,360	4,360	3,947	413
Payroll taxes	650	650	202	448
<b>Total expenditures</b>	5,010	5,010	4,149	861
<b>Expenditures (deficiency) of revenues over (under) expenditures</b>	\$ 874	\$ 874	(2,148)	\$ (3,022)
<b>Other financing sources (uses)</b>				
Operating transfers in			2,100	
<b>Total other financing sources (uses)</b>			2,100	
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>			(48)	
<b>Net position, July 1, 2016</b>			87	
<b>Net position, June 30, 2017</b>			\$ 39	

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Municipal Court Fund**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual-Budgetary Basis**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Fines and fees	\$ 12,500	\$ 13,500	\$ 10,214	\$ (3,286)
Interest	50	50	98	48
<b>Total revenues</b>	<u>12,550</u>	<u>13,550</u>	<u>10,312</u>	<u>(3,238)</u>
<b>Expenditures:</b>				
Salaries and wages	-	-	-	-
Payroll taxes	-	-	-	-
Programs	7,150	8,650	873	7,777
Miscellaneous	2,500	2,000	4,574	(2,574)
<b>Total expenditures</b>	<u>9,650</u>	<u>10,650</u>	<u>5,447</u>	<u>5,203</u>
<b>Expenditures (deficiency) of revenues over (under) expenditures</b>	<u>\$ 2,900</u>	<u>\$ 2,900</u>	4,865	<u>\$ 1,965</u>
<b>Other financing sources (uses):</b>				
Operating transfers out			(3,138)	
<b>Total other financing sources (uses)</b>			<u>(3,138)</u>	
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>			<u>1,727</u>	
<b>Net position, July 1, 2016</b>			19,247	
<b>Net position, June 30, 2017</b>			<u>\$ 20,974</u>	

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Statement of Net Position-Water and Sewer Fund**  
**For the Year Ended June 30, 2017**

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water and Sewer Bonds</u>	<u>Meter Deposits Fund</u>	<u>(Memorandum Only) Totals</u>
<b>Assets:</b>					
Cash	\$ 126,411	\$ 140,000	\$ 167,070	\$ 85,117	\$ 518,598
Certificate of deposit	-	14,088	-	-	14,088
Taxes receivable (net)	-	-	12,306	-	12,306
Accounts receivable (net)	58,768	37,622	-	-	96,390
Inventories	12,000	1,000	-	-	13,000
Interest receivable	6	7	-	-	13
Due from water/sewer	-	-	-	11,360	11,360
Capital assets - at cost	6,537,075	2,329,302	-	-	8,866,377
Less: accumulated depreciation	(2,898,681)	(1,155,481)	-	-	(4,054,162)
<b>Restricted assets:</b>					
Savings	136,019	78,476	-	-	214,495
Certificate of deposit	34,972	-	-	-	34,972
<b>Total assets</b>	<u>\$ 4,006,570</u>	<u>\$ 1,445,014</u>	<u>\$ 179,376</u>	<u>\$ 96,477</u>	<u>\$ 5,727,437</u>
<b>Liabilities and net position</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 14,417	\$ 12,588	\$ -	\$ -	\$ 27,005
Sales tax payable	2,436	-	-	-	2,436
Accrued interest	2,164	7,207	-	-	9,371
Accrued salaries	1,969	-	-	-	1,969
Note payable-USDA-RD	619,284	-	-	-	619,284
Revenue bonds payable	1,160,000	180,000	-	-	1,340,000
Payroll taxes & benefits payable	4,322	-	-	-	4,322
Due to meter deposits	7,857	3,503	-	-	11,360
Customer deposits	-	-	-	96,477	96,477
<b>Total liabilities</b>	<u>1,812,449</u>	<u>203,298</u>	<u>-</u>	<u>96,477</u>	<u>2,112,224</u>
<b>Net Position:</b>					
Restricted	170,991	78,476	179,376	-	428,843
Unrestricted	2,023,130	1,163,240	-	-	3,186,370
<b>Total net position</b>	<u>2,194,121</u>	<u>1,241,716</u>	<u>179,376</u>	<u>-</u>	<u>3,615,213</u>
<b>Total liabilities and net position</b>	<u>\$ 4,006,570</u>	<u>\$ 1,445,014</u>	<u>\$ 179,376</u>	<u>\$ 96,477</u>	<u>\$ 5,727,437</u>

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Water and Sewer Funds**  
**For the Year Ended June 30, 2017**

	Water Operations	Sewer Operations	Water and Sewer Bonds	Meter Deposit Fund	(Memorandum Only) Totals
<b>Operating revenues:</b>					
Charges for services	\$ 616,674	\$ 280,740	\$ -	\$ -	\$ 897,414
Solid waste services	-	124,083	-	-	124,083
Penalties & connections	1,400	-	-	-	1,400
Property taxes	76,904	-	136,129	-	213,033
Miscellaneous	2,175	100	-	-	2,275
<b>Total operating revenues</b>	<u>697,153</u>	<u>404,923</u>	<u>136,129</u>	<u>-</u>	<u>1,238,205</u>
<b>Operating expenses:</b>					
Training & seminars	41	-	-	-	41
Repairs and maintenance	190,070	19,564	-	-	209,634
Salaries and wages	45,836	45,603	-	-	91,439
Depreciation	124,007	40,974	-	-	164,981
Fees	775	-	-	-	775
Payroll taxes and benefits	13,421	15,945	-	-	29,366
Office supplies & postage	1,323	3,265	-	-	4,588
Insurance	3,200	3,200	-	-	6,400
Professional services	(12,388)	6,496	-	-	(5,892)
Vehicle expense	235	-	-	-	235
Supplies	149,278	315	-	-	149,593
Solid waste	-	107,614	-	-	107,614
Utilities	21,676	15,895	-	-	37,571
Administrative expense	32,542	-	-	-	32,542
Miscellaneous	(6,574)	972	-	-	(5,602)
<b>Total operating expense</b>	<u>563,442</u>	<u>259,843</u>	<u>-</u>	<u>-</u>	<u>823,285</u>
<b>Operating income (loss)</b>	<u>133,711</u>	<u>145,080</u>	<u>136,129</u>	<u>-</u>	<u>414,920</u>
<b>Nonoperating revenues (expenses)</b>					
Grant income	216,014	-	-	-	216,014
Interest income	993	800	694	-	2,487
Interest expense & fees	(18,969)	(5,362)	(15,258)	-	(39,589)
<b>Total nonoperating revenues (expenses)</b>	<u>235,976</u>	<u>(4,562)</u>	<u>(14,564)</u>	<u>-</u>	<u>178,912</u>
<b>Income (loss) before operating transfers</b>	<u>331,749</u>	<u>140,518</u>	<u>121,565</u>	<u>-</u>	<u>593,832</u>
<b>Operating transfers</b>					
Operating transfers in/(out)	75,000	-	(75,000)	-	-
<b>Total operating transfers</b>	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>
<b>Net income</b>	<u>406,749</u>	<u>140,518</u>	<u>46,565</u>	<u>-</u>	<u>593,832</u>
<b>Net position, July 1, 2016</b>	<u>1,787,372</u>	<u>1,101,198</u>	<u>132,811</u>	<u>-</u>	<u>3,021,381</u>
<b>Net position, June 30, 2017</b>	<u>\$ 2,194,121</u>	<u>\$ 1,241,716</u>	<u>\$ 179,376</u>	<u>\$ -</u>	<u>\$ 3,615,213</u>

See accompanying notes to the financial statements.



**City of Hamilton, Missouri**  
**Combined Statement of Cash Flows- All Proprietary Fund Types**  
**For the Year Ended June 30, 2017**

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water and Sewer Bonds</u>	<u>Meter Deposit Bonds</u>	<u>(Memorandum Only) Totals</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 621,112	\$ 397,943	\$ -	\$ 1,560	\$ 1,020,615
Cash received from taxpayers	76,904	-	130,327	-	207,231
Cash payments for personnel services	(77,721)	(71,970)	-	-	(149,691)
Cash payments for materials & supplies	(147,810)	(5,843)	-	-	(153,653)
Cash payments for utilities & telephone	(21,676)	(15,895)	-	-	(37,571)
Cash payments for insurance	(3,200)	(3,200)	-	-	(6,400)
Cash payments for repairs & maintenance	(190,070)	(19,564)	-	-	(209,634)
Cash payments for contractual services	-	(107,614)	-	-	(107,614)
Other operating cash payments	(1,010)	-	-	-	(1,010)
<b>Net cash provided by operating activities</b>	<u>256,529</u>	<u>173,857</u>	<u>130,327</u>	<u>1,560</u>	<u>562,273</u>
<b>Cash flows from noncapital financing activities:</b>					
Operating transfers in/(out)	75,000	-	(75,000)	-	-
<b>Net cash used for noncapital financing activities</b>	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Capital grant	216,014	-	-	-	216,014
Acquisition of capital assets	(308,054)	(36,307)	-	-	(344,361)
Principal paid on revenue bonds	(138,290)	(85,000)	-	-	(223,290)
Interest paid on notes and bonds	(21,622)	(5,362)	(15,258)	-	(42,242)
<b>Net cash used for capital and related financing activities</b>	<u>(251,952)</u>	<u>(126,669)</u>	<u>(15,258)</u>	<u>-</u>	<u>(393,879)</u>
<b>Cash flows from investing activities:</b>					
Interest received on invested monies	1,034	801	694	-	2,529
<b>Net cash provided by investing activities</b>	<u>1,034</u>	<u>801</u>	<u>694</u>	<u>-</u>	<u>2,529</u>
<b>Net increase (decrease) in cash and restricted cash</b>	80,611	47,989	40,763	1,560	170,923
<b>Cash and cash equivalents, July 1, 2016</b>	<u>216,791</u>	<u>184,575</u>	<u>126,307</u>	<u>83,557</u>	<u>611,230</u>
<b>Cash and cash equivalents, June 30, 2017</b>	<u>\$ 297,402</u>	<u>\$ 232,564</u>	<u>\$ 167,070</u>	<u>\$ 85,117</u>	<u>\$ 782,153</u>

See accompanying notes to the financial statements.

**City of Hamilton, Missouri**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water and Sewer Bonds</u>	<u>Meter Deposit Funds</u>	<u>(Memorandum Only) Totals</u>
Reconciliation of income from operations to net cash provided by operating activities:					
Income from operations	\$ 133,711	\$ 145,080	\$ 136,129	\$ -	\$ 414,920
Adjustment to reconcile income from operations to net cash provided by (used for) operating activities:					
Depreciation	124,007	40,974	-	-	164,981
Taxes receivable	-	-	(5,802)	-	(5,802)
Accounts receivable	(867)	(6,980)	-	-	(7,847)
Inventories	(947)	(83)	-	-	(1,030)
Accounts payable	(3,967)	(1,209)	-	-	(5,176)
Sales tax payable	1,131	-	-	-	1,131
Accrued salaries	1,285	-	-	-	1,285
Payroll taxes and benefits payable	446	(3,926)	-	-	(3,480)
Other non-cash adjustments	1,730	1	-	1,560	3,291
Net cash provided by operations	<u>\$ 256,529</u>	<u>\$ 173,857</u>	<u>\$ 130,327</u>	<u>\$ 1,560</u>	<u>\$ 562,273</u>
Reconciliation of total cash and cash investments:					
Cash and cash equivalents	\$ 126,411	\$ 140,000	\$ 167,070	\$ 85,117	\$ 518,598
Certificates of deposit	-	14,088	-	-	14,088
Savings-restricted	136,019	78,476	-	-	214,495
Certificates of deposit- restricted	34,972	-	-	-	34,972
Total cash and cash equivalents	<u>\$ 297,402</u>	<u>\$ 232,564</u>	<u>\$ 167,070</u>	<u>\$ 85,117</u>	<u>\$ 782,153</u>

See accompanying notes to the financial statements.

# CONRAD & HIGGINS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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

Honorable Mayor and Members of the Board of Aldermen  
City of Hamilton  
Hamilton, Missouri 64644

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 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Hamilton, Missouri's basic financial statements and have issued our report thereon dated November 30, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 of Hamilton, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hamilton, Missouri'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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and related accounting records, or all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

**Management Response**

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

**Compliance and Other Matters**

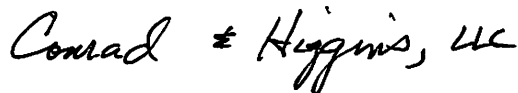
As part of obtaining reasonable assurance about whether the City of Hamilton, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Management's Response to Findings**

The City of Hamilton, Missouri's response to the findings identified in our audit is described above. The City of Hamilton, Missouri's response was not subject to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

**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.



**CONRAD & HIGGINS, LLC**

Chillicothe, Missouri

November 30, 2017