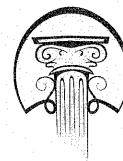


**CITY OF HAMILTON, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021**

**CITY OF HAMILTON, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021  
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●Morris & Waters●

To the Honorable Mayor and  
Members of the City Council  
City of Hamilton, Georgia

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hamilton, Georgia, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, and each major fund of the City of Hamilton, Georgia as of December 31, 2021, 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.

## Morris & Waters

Certified Public Accountants

325 Tellico Rd.  
Canton, GA 30115  
Ph (770)-883-3516

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## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hamilton, Georgia's basic financial statements. The combining balance sheet, statement of revenues, expenditures and changes in fund balance and the schedule of revenues, expenditures, and changes in fund balance – budget and actual for nonmajor government funds and the Schedule of Special Local Option Sales Tax Projects as required by the Official Code of Georgia Annotated are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet, statement of revenues, expenditures and changes in fund balance and the schedule of revenues, expenditures, and changes in fund balance – budget and actual for nonmajor government funds and the Schedule of Special Local Option Sales Tax is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet, statement of revenues, expenditures and changes in fund balance and the schedule of revenues, expenditures, and changes in fund balance – budget and actual for nonmajor government funds and the Schedule of Special Local Option Sales Tax is 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 June 27, 2022, on our consideration of the City of Hamilton's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Morris & Waters

*Morris and Waters*

Canton, Georgia  
June 27, 2022

**CITY OF HAMILTON, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,431,207	\$ 526,599	\$ 1,957,806
Receivables (net of allowances for uncollectibles)			
Taxes	55,271	-	55,271
Accounts	-	60,866	60,866
Other	16,300	-	16,300
Internal Balances	515,909	(515,909)	-
Prepaid Expenses	13,450	3,911	17,361
Capital Assets Not Being Depreciated	144,500	-	144,500
Capital Assets, Net of Depreciation	809,848	3,301,192	4,111,040
Total Assets:	<u>2,986,485</u>	<u>3,376,659</u>	<u>6,363,144</u>
 <b><u>LIABILITIES</u></b>			
Accounts Payable	9,012	36,390	45,402
Accrued Liabilities	6,419	-	6,419
Customer Deposits	-	74,206	74,206
Noncurrent Liabilities:			
Due within one year	-	25,306	25,306
Due in more than one year	-	539,142	539,142
Total Liabilities	<u>15,431</u>	<u>675,044</u>	<u>690,475</u>
 <b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	954,348	2,739,344	3,693,692
Restricted for:			
Public Safety	99,690	-	99,690
Capital Projects	83,971	-	83,971
Highways and Streets	13,094	-	13,094
Unrestricted	1,819,951	(37,729)	1,782,222
Total Net Position	<u>\$ 2,971,054</u>	<u>\$ 2,701,615</u>	<u>\$ 5,672,669</u>

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

**CITY OF HAMILTON, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Charges for		Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total		
	Expenses	Services, Fees Fines and Forfeitures			Governmental Activities	Business-Type Activities			
Primary Government:									
Governmental Activities:									
General Government	\$	235,197	\$	19,521	\$	135,511	\$	135,511	
Judicial		8,681		-		(8,681)		(8,681)	
Public Safety		287,098		171,342		(85,195)		(85,195)	
Highways and Streets		427,105		-		(411,266)		(411,266)	
Total Governmental Activities		958,081		190,863		(369,631)		(369,631)	
Business-Type Activities:									
Water		224,843		237,539		-	12,696	12,696	
Sewer		373,356		283,337		-	(90,019)	(90,019)	
Total Business-Type Activities		598,199		520,876		-	(77,323)	(77,323)	
Total Primary Government	\$	1,556,280	\$	711,739	\$	(369,631)	(77,323)	(446,954)	
General Revenues:									
Taxes					\$	270,075	\$	270,075	
Property Taxes						242,628	-	242,628	
Sales Taxes						93,953	-	93,953	
Franchise Tax						29,256	-	29,256	
Alcoholic Beverage Tax						39,724	-	39,724	
Motor Vehicle and Mobile Home						90,422	-	90,422	
Insurance Premium Tax						18,111	-	18,111	
Other Taxes						22,603	-	22,603	
Miscellaneous						806,772	-	806,772	
Changes in Net Position						437,141	(77,323)	359,818	
Net Position - Beginning						2,533,913	2,778,938	5,312,851	
Net Position - Ending					\$	2,971,054	\$	2,701,615	
								\$	5,672,669

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

**CITY OF HAMILTON, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2021**

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	Total Governmental Funds
	General	Capital Projects Fund SPLOST	Other Governmental Funds	
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 1,324,933	\$ 95,800	\$ 10,474	\$ 1,431,207
Receivables (net of allowances for uncollectibles)				
Taxes and Liens	55,271	13,680	2,620	71,571
Due from Other Funds	541,418	-	-	541,418
Prepaid Items	13,450	-	-	13,450
<b>Total Assets</b>	<b>1,935,072</b>	<b>109,480</b>	<b>13,094</b>	<b>2,057,646</b>
<b><u>LIABILITIES</u></b>				
Liabilities:				
Accounts Payable	9,012	-	-	9,012
Accrued Liabilities	6,419	-	-	6,419
Due to Other Funds	-	25,509	-	25,509
<b>Total Liabilities</b>	<b>15,431</b>	<b>25,509</b>	<b>-</b>	<b>40,940</b>
<b><u>FUND BALANCE</u></b>				
Nonspendable for:				
Prepaid Items	13,450	-	-	13,450
Restricted for:				
Public Safety	99,690	-	-	99,690
Capital Projects	-	83,971	-	83,971
Highways and Streets	-	-	13,094	13,094
Unassigned	1,806,501	-	-	1,806,501
<b>Total Fund Balances</b>	<b>1,919,641</b>	<b>83,971</b>	<b>13,094</b>	<b>2,016,706</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,935,072</b>	<b>\$ 109,480</b>	<b>\$ 13,094</b>	<b>\$ 2,057,646</b>

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

**CITY OF HAMILTON, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 2,016,706</b>
---	---------------------

**Total Net Position for Governmental Activities in the Statement of Net Position is different because:**

<b>Capital assets of \$1,823,664 net of accumulated depreciation of \$869,316 are not financial resources and, therefore, are not reported in the funds.</b>	<u><b>954,348</b></u>
--	-----------------------

<b>Total Net Position of Governmental Activities</b>	<u><b>\$ 2,971,054</b></u>
--	----------------------------

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



**CITY OF HAMILTON, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	Total Governmental Funds
	General	Capital Projects Fund SPLOST	Other Governmental Funds	
<b><u>REVENUES</u></b>				
Taxes	\$ 754,151	\$ -	\$ 30,018	\$ 784,169
Licenses and Permits	12,912	-	-	12,912
Intergovernmental	258,409	139,178	-	397,587
Fees, Fines and Forfeitures	171,342	-	-	171,342
Charges for Services	6,609	-	-	6,609
Miscellaneous	22,603	-	-	22,603
Total Revenues	<u>1,226,026</u>	<u>139,178</u>	<u>30,018</u>	<u>1,395,222</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	226,087	-	2,242	228,329
Judicial	8,681	-	-	8,681
Public Safety	235,906	-	-	235,906
Highways and Streets	217,174	-	-	217,174
Capital Outlay				
Highways and Streets	-	109,979	80,000	189,979
Public Safety	-	44,212	-	44,212
Total Expenditures	<u>687,848</u>	<u>154,191</u>	<u>82,242</u>	<u>924,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>538,178</u>	<u>(15,013)</u>	<u>(52,224)</u>	<u>470,941</u>
Net Change in Fund Balances	538,178	(15,013)	(52,224)	470,941
Fund Balances - Beginning of Year	<u>1,381,463</u>	<u>98,984</u>	<u>65,318</u>	<u>1,545,765</u>
Fund Balances - End of Year	<u>\$ 1,919,641</u>	<u>\$ 83,971</u>	<u>\$ 13,094</u>	<u>\$ 2,016,706</u>

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

**CITY OF HAMILTON, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balance - Total Governmental Funds	\$ 470,941
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Total Change in Net Position reported for Governmental Activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which depreciation of \$64,317 exceeded capital outlay of (\$28,553) in the current period.	(35,764)
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Under the modified accrual basis of accounting used by governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net change in the following:

Compensated absences	<div style="border-top: 1px solid black; display: inline-block;">1,964</div>
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Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 437,141</div>
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The notes to the financial statements are an integral part of this statement.

**CITY OF HAMILTON, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Business-Type Activities		
	Major Fund Type		
	Water	Sewer	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 317,486	\$ 209,113	\$ 526,599
Accounts Receivable (Net of Allowance for Uncollectibles)	26,420	34,446	60,866
Prepaid Expenses	1,956	1,955	3,911
Total Current Assets	<u>345,862</u>	<u>245,514</u>	<u>591,376</u>
Noncurrent Assets:			
Capital Assets Net of Accumulated Depreciation	1,181,659	2,119,533	3,301,192
Total Noncurrent Assets	<u>1,181,659</u>	<u>2,119,533</u>	<u>3,301,192</u>
Total Assets	<u>1,527,521</u>	<u>2,365,047</u>	<u>3,892,568</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable	1,914	34,476	36,390
Customer Deposits	38,775	35,431	74,206
Compensated Absences	2,600	-	2,600
Interfund Loan - Current	58,683	52,803	111,486
Revenue Bonds - Current	11,353	11,353	22,706
Total Current Liabilities	<u>113,325</u>	<u>134,063</u>	<u>247,388</u>
Noncurrent Liabilities			
Interfund Loan	-	404,423	404,423
Revenue Bonds - Noncurrent	269,571	269,571	539,142
Total Noncurrent Liabilities	<u>269,571</u>	<u>673,994</u>	<u>943,565</u>
Total Liabilities	<u>382,896</u>	<u>808,057</u>	<u>1,190,953</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	900,735	1,838,609	2,739,344
Unrestricted	243,890	(281,619)	(37,729)
Total Net Position	<u>\$ 1,144,625</u>	<u>\$ 1,556,990</u>	<u>\$ 2,701,615</u>

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

**CITY OF HAMILTON, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DECEMBER 31, 2021**

	Business-Type Activities Major Fund Type		Total
	Water	Sewer	
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 237,539	\$ 283,337	\$ 520,876
Total Operating Revenues	<u>237,539</u>	<u>283,337</u>	<u>520,876</u>
<b><u>OPERATING EXPENSES</u></b>			
Cost of Sales and Services	58,065	54,070	112,135
Administration	108,484	225,436	333,920
Depreciation	<u>46,006</u>	<u>81,562</u>	<u>127,568</u>
Total Operating Expenses	<u>212,555</u>	<u>361,068</u>	<u>573,623</u>
Operating Income	<u>24,984</u>	<u>(77,731)</u>	<u>(52,747)</u>
Non-operating Expenses:			
Interest Expense	<u>12,288</u>	<u>12,288</u>	<u>24,576</u>
Total Non-operating Expenses	<u>12,288</u>	<u>12,288</u>	<u>24,576</u>
Income (Loss) Before Transfers	<u>12,696</u>	<u>(90,019)</u>	<u>(77,323)</u>
Transfers (To)/From Other Funds	-	-	-
Changes in Net Position	<u>12,696</u>	<u>(90,019)</u>	<u>(77,323)</u>
Net Position - Beginning	<u>1,131,929</u>	<u>1,647,009</u>	<u>2,778,938</u>
Net Position - Ending	<u>\$ 1,144,625</u>	<u>\$ 1,556,990</u>	<u>\$ 2,701,615</u>

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

**CITY OF HAMILTON, GEORGIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

	Business-Type Activities Major Fund Type		
	Water	Sewer	Total
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 235,382	\$ 279,358	\$ 514,740
Cash Payments to Suppliers	(107,320)	(196,231)	(303,551)
Cash Payments to Employees	(58,465)	(56,230)	(114,695)
<b>Net Cash Provided by Operating Activities</b>	<u>69,597</u>	<u>26,897</u>	<u>96,494</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Paid on Bonds	(83,851)	(83,852)	(167,703)
Interest Paid on Bonds	(12,288)	(12,288)	(24,576)
<b>Net Cash Required for Capital and Related Financing Activities</b>	<u>(96,139)</u>	<u>(96,140)</u>	<u>(192,279)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Increase/(Decrease) in Interfund Loan	58,683	(7,197)	51,486
<b>Net Cash Provided/(Used) by Noncapital Financing Activities</b>	<u>58,683</u>	<u>(7,197)</u>	<u>51,486</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	32,141	(76,440)	(44,299)
<b>Cash and Equivalents at Beginning of Year</b>	<u>285,345</u>	<u>285,553</u>	<u>570,898</u>
<b>Cash and Equivalents at End of Year</b>	<u>317,486</u>	<u>209,113</u>	<u>526,599</u>
<b>Reconciliation of Operating Loss to Net</b>			
Cash Provided from Operating Activities:			
Operating Income/(Loss)	24,984	(77,731)	(52,747)
Adjustments to Reconcile Operating Income			
to Net Cash Provided by			
Operating Activities:			
Depreciation and Amortization	46,006	81,562	127,568
Increase in Accounts Receivable	(2,157)	(3,979)	(6,136)
Decrease in Prepaid Expenses	818	820	1,638
Increase/(Decrease) in Accounts Payable	(1,578)	26,885	25,307
Increase in Customer Deposits	1,924	1,500	3,424
Decrease in Compensated Absences	(400)	(2,160)	(2,560)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 69,597</u>	<u>\$ 26,897</u>	<u>\$ 96,494</u>

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

*City of Hamilton, Georgia*  
*Notes to the Basic Financial Statements*  
*December 31, 2021*

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

The City of Hamilton ("The City") was created in 1828. City of Hamilton operates under a Mayor-Council form of government. The following services are provided to the citizens of Hamilton: public safety inclusive of police and fire protection, highways and streets, sanitation, cultural activities, public improvements, planning and community development, water and sewer system 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 (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements or APB opinions issued after November 30, 1989. The most significant of the City's accounting policies are described below.

***1-A. Reporting Entity***

The financial statements of the reporting entity include those of City of Hamilton, Georgia (the primary government). Component units are legally separate organizations for which the City is financially accountable for the entity or the exclusion of such entity would cause the City's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of the entity's governing body and either the City can impose its will on the entity or the potential exists for the entity to provide specific financial benefits or impose specific financial burdens on the City. Based on this definition, the City has no component units or other organizations that are required to be reported in these financial statements. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

***1-B. Basis of Presentation***

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Fiduciary funds are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the City at the fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City has elected not to allocate indirect expenses among its programs, functions and segments in the Statement of Activities. The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and, (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. To identify which functional program a revenue pertains to, the determining factor for *charges for services* is that function which *generates* the revenue; and for *grants and contributions*, the determining factor is that function to which the revenue is *restricted*. Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent

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to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for both governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

**Fund Accounting** - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's two major governmental funds:

**The General Fund** - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's unrestricted fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

**The SPLOST Fund** - This fund accounts for revenue received from SPLOST for the specific purpose of purchasing capital assets, construction and renovation projects in the City

**Proprietary Funds** - Proprietary fund financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. Proprietary operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. The City's policy for defining operating and non-operating revenues and expenses in proprietary funds is based on the following concepts. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing business. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable to proprietary funds are similar to those used by businesses in the private sector. The following are the City's two major proprietary funds:

**The Water Fund** - This fund accounts for the activities of the government's water activities.

**The Sewer Fund** - This fund accounts for the activities of the government's sewerage activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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**1-C. Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. All assets and liabilities associated with the operation of the City, including capital assets, as well as infrastructure assets purchased since January 1, 2003, and long-term liabilities, are included in the Statement of Net position. The Statement of Activities reports revenues and expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year that they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Financial Statements** - Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. All governmental funds are reported using the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are reported. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements. Like the government-wide statements, all proprietary fund types are accounted for on the flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included in the Statements of Net position. The Statements of Changes in Fund Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

**1-D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Revenues – Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of the fiscal year-end.

**Revenues - Non-exchange Transactions** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis,



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revenue from non-exchange transactions also must be available (i.e., collected within 30 days for sales taxes and within 60 days for all other revenues) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then, unrestricted resources as they are needed.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

**Deferred/Unearned Revenue** - The City recognizes revenues and other governmental fund financial resources in the accounting period in which they become both measurable and available. When an asset is received in a governmental fund, but the revenue is not available, the City reports a deferred inflow of resources until such time as the revenue becomes available. The City limits the use of the term "deferred" to items reported as deferred outflows of resources or deferred inflows of resources.

### ***1-E. Assets, Liabilities and Fund Equity***

#### ***1-E-1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents include cash on hand, amounts in demand deposits, certificates of deposit, as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in any of the following types of obligations:

- Obligations of the State of Georgia or of any other state.
- Obligations of the United States Government.
- Obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency.
- Obligations of any corporation of the United States Government.
- Prime bankers' acceptances.
- The State of Georgia local government investment pool (i.e., Georgia Fund I).
- Repurchase agreements.
- Obligations of the other political subdivisions of the State of Georgia.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits (in excess of FDIC insurance) may not be returned. As of December 31, 2021, the City's entire bank balance was insured or collateralized with securities by the pledging financial institution's trust department or agent in the City's name.

#### ***1-E-2. Receivables***

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at December 31, 2021.

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**1-E-3. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

**1-E-4. Capital Assets**

Capital Assets are defined by the City as assets with an initial, individual cost which exceeds certain capitalization thresholds and have an estimated useful life in excess of two years. General capital assets are those assets not specifically related to activities reported in the proprietary funds. All general infrastructure assets (e.g., roads, bridges, sidewalks and similar items) acquired or constructed after December 31, 2002 are reported in the government-wide financial statements. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide Statement of Net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 per item that has an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Estimated Useful Life in Years</u>
Public domain infrastructure	50
Buildings	20-40
System-in-service	5-40
Equipment	3-20
Land improvements	20

At the inception of a capital lease, at the governmental fund reporting level, expenditures and an "other financing sources" of an equal amount are reported at the net present value of future minimum lease payments.

**1-E-5. Compensated Absences**

It is the City's policy to allow employees to accumulate earned but unused vacation through their anniversary hire date and sick pay benefits. If the employee has unused vacation at their anniversary hire date, it will be forfeited. There is no liability recorded for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when an employee separates from service to the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

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**1-E-6. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. Capital leases are recognized as a liability in the governmental fund financial statements when due. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**1-E-7. Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. The City restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unrestricted fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes and are tentative management plans that are subject to change.

GASB Statement 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be, if applicable, reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally.
- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the City Council or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted fund balance is made up of funds which can only be used for public safety, city hall improvements, roads, streets, bridges, equipment purchases, and public safety equipment and improvements. At December 31, 2021 the balance in restricted fund balance was \$196,755.

**Net Position** - Net Position represents the difference between assets and liabilities. Net Position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net positions are reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**1-E-8. Deferred outflows/inflows of resources**

In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources in the form of expense or expenditure until that time. Currently, the City has no items that qualify for reporting as a deferred outflow of resources.

Also, in addition to liabilities, the financial statements of the City will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources in the form of revenue until that time. Currently, the City has no items that qualify for reporting as a deferred inflow of resources.

**1-E-9. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

**1-E-10. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system or from grants or outside contributions of resources restricted to capital acquisition and construction.

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***1-E-11. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and in the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted). Transfers between governmental and business-type activities on the government-wide Statement of Activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

***1-E-12. Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

***Note 2 – Stewardship, Compliance and Accountability***

***2-A. Budgetary Information*** – The City adopts an annual operating budget for the General Fund and each special revenue fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund. The budgets are adopted on a basis consistent with GAAP. Budgets for capital projects funds are adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is generally the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approves budget revisions. All unexpended annual budget appropriations lapse at year-end. All agencies of the City submit requests for appropriations to the City's clerk so that a budget may be prepared. The proposed budget is presented to the City Council for review. The Council holds a public hearings and a final budget must be prepared and adopted no later than December 31. The adopted budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Supplemental budgetary appropriations in funds were not considered material.

***Note 3 - Detailed Notes on All Funds***

***3-A. Deposits and Investments***

***Deposits – Custodial credit risk*** – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to ensure that all deposits in excess of the FDIC limit for governments be collateralized by the financial institution with securities held by the financial institution in the City's name. For custodial credit risk purposes the deposits in banks are classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name; 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and, 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name. All cash bank balances as of the balance sheet date are entirely insured or collateralized with securities held by the City's agent in the City's name. As of December 31, 2021, the City had no "investments" as defined by generally accepted accounting principles.

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**3-B. Receivables**

Receivables at December 31, 2021 consisted of taxes, interest and accounts (billings for user charges, including unbilled utility receivables). Receivables and payables are recorded in the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability. Receivables at December 31, 2021 consist of the following:

<b>Governmental Funds:</b>	<u>General</u>	<u>Capital Project</u>	<u>Special Revenue</u>	<u>Total</u>
Sales Tax	\$ 37,661	\$ 13,680	\$ 2,620	\$ 53,961
Property Tax	<u>17,610</u>	<u>-</u>	<u>-</u>	<u>17,610</u>
Net Receivable	<u>\$ 55,271</u>	<u>\$ 13,680</u>	<u>\$ 2,620</u>	<u>\$ 71,571</u>

<b>Proprietary Funds:</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Accounts Receivable	\$ 26,420	\$ 34,446	\$ 60,866
Less Allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivable	<u>\$ 26,420</u>	<u>\$ 34,446</u>	<u>\$ 60,866</u>

**3-C. Property Taxes**

The City Council levied property taxes on assessed valuations as of October 1 and the taxes are due on or before December 31 each year, and attach as an enforceable lien on property as of January 1. The billings are considered past due 60 days after the tax billing date or January 1 of the following year whichever is later, at which time the applicable property is subject to lien and penalties and interest are assessed.

**3-D. Deficit Fund Net position**

The City had no deficit net position balances at December 31, 2021.

**3-E. Excess of Expenditures Over Appropriations**

The City had excess expenditures over budgeted amounts in the following General Fund areas:

Judicial	\$ 6,528
Public Safety	\$ 32,000

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**3-F. Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 144,500	\$ -	\$ -	\$ 144,500
Total capital assets, not being depreciated	144,500	-	-	144,500
Capital assets being depreciated:				
Buildings and Improvements	607,514	-	-	607,514
Machinery and equipment	690,870	28,553	-	719,423
Infrastructure	352,227	-	-	352,227
Total capital assets, being depreciated	1,650,611	28,553	-	1,679,164
Less accumulated depreciation for:				
Buildings and Improvements	(175,338)	(15,188)	-	(190,526)
Machinery and equipment	(530,308)	(42,084)	-	(572,392)
Infrastructure	(99,353)	(7,045)	-	(106,398)
Total accumulated depreciation	(804,999)	(64,317)	-	(869,316)
Total capital assets being depreciated, net	845,612	(35,764)	-	809,848
Total governmental activities capital assets, net	\$ 990,112	\$ (35,764)	\$ -	\$ 954,348
<u>Business-Type Activities</u>				
Capital assets being depreciated:				
Buildings and Improvements	\$ 955,061	\$ -	\$ -	\$ 955,061
Infrastructure	4,426,484	-	-	4,426,484
Machinery and equipment	232,385	-	-	232,385
Total capital assets, being depreciated	5,613,930	-	-	5,613,930
Less accumulated depreciation for:				
Buildings and Improvements	(670,132)	(19,101)	-	(689,233)
Infrastructure	(1,301,590)	(87,728)	-	(1,389,318)
Machinery and equipment	(213,448)	(20,739)	-	(234,187)
Total accumulated depreciation	(2,185,170)	(127,568)	-	(2,312,738)
Total business-type activities capital assets, net	\$ 3,428,760	\$ (127,568)	\$ -	\$ 3,301,192

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**3-F. – Capital Assets – continued**

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

Governmental Activities:	
General Government	\$ 8,832
Public Safety	35,533
Highways and Streets	<u>19,952</u>
Total Depreciation Expense	<u>\$ 64,317</u>
Business-type Activities:	
Water	\$ 46,006
Sewer	<u>81,562</u>
Total Depreciation Expense	<u>\$ 127,568</u>

**3-G. – Long Term Debt**

**Revenue Bonds**

Revenue Bonds Water & Sewer Lines – The City’s Water and Sewer Funds issue revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount issued in prior years was \$889,100 used to finance improvements and extensions to the City’s water and sewer systems. These bonds are being repaid through the City’s Water and Sewer Funds.

Revenue Bonds Sewer Lines – The City’s Sewer Fund issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount issued in prior years was \$1,185,350 used to finance improvements and extensions to the City’s sewer systems. These bonds were paid off during the year ended 12/31/2021.

Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rate</u>	<u>Amounts</u>
Improvement and extension of water & sewer lines	4.125%	\$ 561,848

Note payable requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 22,706	\$ 22,750
2023	23,660	21,796
2024	24,655	20,801
2025	25,692	19,764
2026	26,772	18,684
2027-2031	151,716	75,564
2032-2036	186,402	40,878
2037-2039	<u>100,245</u>	<u>5,038</u>
	<u>\$ 561,848</u>	<u>\$ 225,275</u>



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**Compensated Absences**

The Government accrues compensated absences for their employees. Only business-type activities have accrued compensated absences at December 31, 2021. Accrued compensated absences from business-type activities are repaid through the water and sewer funds.

**Changes in Long – Term Liabilities**

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Balance Dec 31, 2020	Additions	Reductions	Balance Dec 31, 2021	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,964	\$ -	\$ 1,964	\$ -	\$ -
Business-type Activities:					
Revenue Bonds	\$ 729,551	\$ -	\$ 167,703	\$ 561,848	\$ 22,706
Compensated Absences	5,160	-	2,560	2,600	2,600
Total Business-type long term liabilities	\$ 734,711	\$ -	\$ 170,263	\$ 564,448	\$ 25,306

***3-H. - Interfund Balances and Transfers***

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net position, except for any net residual amounts due between the aggregate governmental activities and the aggregate business-type activities, which are reclassified and presented as internal balances. All due to/from balances are expected to be repaid within one year. Due to/from balances at December 31, 2021 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$515,909
General Fund	SPLOST	\$ 25,509

The General fund loaned the Water and Sewer Fund money to pay off an existing debt as well as to pay wages and salaries. The Water and Sewer Fund is planning on paying the General Fund \$111,486 during 2022. Beginning in 2023 the Water and Sewer Fund is planning on paying the General Fund \$2,500 per month until it is paid off. The unpaid balance at December 31, 2021 was \$515,909.

The SPLOST fund owes the General Fund \$25,509. This balance is a result of the General Fund paying a SPLOST expenditure and making a deposit into the SPLOST fund that should have been deposited in the General Fund.

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and, to return money to the fund from which it was originally provided once a project is completed. All transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer. There were no transfers during the year ended December 31, 2021.

*City of Hamilton, Georgia*  
*Notes to the Basic Financial Statements*  
*December 31, 2021*

***Note 4 - Other Notes***

***4-A. Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers compensation for which the City carries commercial insurance.

There have been no decreases in insurance coverage from the prior year. Settled claims from these risks have not exceeded coverage for the past three years.

***4-B. Contingencies and Commitments***

In the normal course of operations, the City receives grants from federal and state agencies. The grant programs are subject to audit by the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. These audits, if any, could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

The City does not contribute to state unemployment funds. Instead, the City directly reimburses the State for unemployment benefits actually paid during the year. As of December 31, 2021, there were no unpaid claims that City management believes to be material.

***4-C. Joint Ventures***

The City is member, as required under Georgia law, in conjunction with other cities and counties in the area, of the River Valley Regional Commission (RC) and as such is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. O.C.G.A. Section 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from the:

River Valley Regional Commission  
P.O. Box 1908  
Columbus, GA 31902

***4-D. Related Party Transactions***

The City was not involved in any related party transactions during the fiscal year ended December 31, 2021.

***4-E. Internal Activity***

It is the City's policy to eliminate or reclassify all internal activity and balances reported as interfund activity and balances in the fund financial statements in the government-wide Statement of Net position and Activities. These eliminations occur first within the governmental activities column and within the business-type activities column and then separately in the total primary government column.

***4-F. Hotel/Motel Tax***

The City collects hotel/motel tax from local establishments. During the year ended December 31, 2021, the City collected \$2,242 from this tax. The City normally spends all of the tax for tourism related projects. The City spent \$2,242 for tourism during this year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAMILTON, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES**  
**BUDGET & ACTUAL (GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes:				
Property Taxes	\$ 240,000	\$ 240,000	\$ 270,075	\$ 30,075
Sales Taxes	155,000	155,000	242,628	87,628
Franchise Tax	96,000	96,000	63,935	(32,065)
Alcoholic Beverage Tax	22,000	22,000	29,256	7,256
Motor Vehicle and Mobile Home	26,900	26,900	39,724	12,824
Insurance Premium Tax	85,000	85,000	90,422	5,422
Other Taxes	10,900	10,900	18,111	7,211
Licenses and Permits	17,200	17,200	12,912	(4,288)
Intergovernmental	31,893	31,893	258,409	226,516
Fines and Forfeitures	21,000	21,000	171,342	150,342
Charges for Services	9,679	9,679	6,609	(3,070)
Miscellaneous	34,610	34,610	22,603	(12,007)
Total Revenues	<u>750,182</u>	<u>750,182</u>	<u>1,226,026</u>	<u>475,844</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	263,724	263,724	226,087	37,637
Judicial	2,153	2,153	8,681	(6,528)
Public Safety	203,906	203,906	235,906	(32,000)
Highways and Streets	217,400	217,400	217,174	226
Total Expenditures	<u>687,183</u>	<u>687,183</u>	<u>687,848</u>	<u>(665)</u>
Excess of Revenues Over Expenditures	<u>62,999</u>	<u>62,999</u>	<u>538,178</u>	<u>475,179</u>
Net Change in Fund Balances	62,999	62,999	538,178	475,179
Fund Balance, Beginning Of Year	<u>1,381,463</u>	<u>1,381,463</u>	<u>1,381,463</u>	<u>-</u>
Fund Balance, End Of Year	<u>\$ 1,444,462</u>	<u>\$ 1,444,462</u>	<u>\$ 1,919,641</u>	<u>\$ 475,179</u>

## **NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds -** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes

- **TIA Fund:** This fund is used to account for the City's share of Transportation Investment Act sales tax restricted for highways and streets.
- **Hotel/Motel Tax Fund:** This fund is used to account for the City's share of hotel/motel tax revenues that are legally restricted to promote tourism, conventions, and trade shows.

**CITY OF HAMILTON, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENT FUNDS**  
**DECEMBER 31, 2021**

	<u>Special Revenue</u>		<u>Total</u>
	<u>TIA</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 10,474	\$ -	\$ 10,474
Receivables:			
Other	2,620	-	2,620
Total Assets	<u>13,094</u>	<u>-</u>	<u>13,094</u>
<b><u>LIABILITIES</u></b>			
Liabilities:			
Accounts Payable	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCE</u></b>			
Restricted for:			
Highways and Streets	13,094	-	13,094
Total Fund Balances	<u>13,094</u>	<u>-</u>	<u>13,094</u>
 Total Liabilities and Fund Balances	 <u>\$ 13,094</u>	 <u>\$ -</u>	 <u>\$ 13,094</u>

**CITY OF HAMILTON, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	TIA	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
<b><u>REVENUES</u></b>			
Hotel/Motel Tax	\$ -	\$ 2,242	\$ 2,242
Sales Tax	27,776	-	27,776
Total Revenues	<u>27,776</u>	<u>2,242</u>	<u>30,018</u>
<b><u>EXPENDITURES</u></b>			
General Government	-	2,242	2,242
Highways and Streets	80,000	-	80,000
Total Expenditures	<u>80,000</u>	<u>2,242</u>	<u>82,242</u>
Excess of Revenues Over Expenditures	<u>(52,224)</u>	-	<u>(52,224)</u>
Net Change in Fund Balances	(52,224)	-	(52,224)
Fund Balances - Beginning of Year	<u>65,318</u>	-	<u>65,318</u>
Fund Balances - End of Year	<u>\$ 13,094</u>	<u>\$ -</u>	<u>\$ 13,094</u>

CITY OF HAMILTON, GEORGIA  
NONMAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
BUDGET & ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget			Variance with
	TIA	Hotel/Motel	Actual	Final Budget
<b>REVENUES</b>				
Taxes:				
Hotel/Motel Tax	\$ -	\$ 900	\$ 2,242	\$ 1,342
Sales Taxes	-	-	27,776	27,776
Total Revenues	-	900	30,018	29,118
<b>EXPENDITURES</b>				
Current:				
General Government	-	900	2,242	(1,342)
Highways and Streets	-	-	80,000	(80,000)
Total Expenditures	-	900	82,242	(81,342)
Excess of Revenues Over Expenditures	-	-	(52,224)	(52,224)
Fund Balance, Beginning Of Year	65,318	65,318	65,318	-
Fund Balance, End Of Year	\$ 65,318	\$ 65,318	\$ 13,094	\$ (52,224)



*City of Hamilton, Georgia*  
*Schedule of Findings and Responses*  
*December 31, 2021*

<u>Finding 2021-1:</u>	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 the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.
<u>Effect:</u>	Failure to implement offsetting controls in the cash receipts and disbursements functions could result in unauthorized or fraudulent transactions.
<u>Recommendations:</u>	Because of limited resources and personnel, management may not be able to properly address this finding, but checks and balances should be strengthened between the Clerk and the Mayor and city council to offset this deficiency. We recommend that management continue to exercise alert supervision of employees in order to protect the assets of the City. We recommend that all checks have two signatures, with one of the signatures being a City council member, Mayor or the City Administrator.
<u>Views of Responsible Officials and Planned Corrective Actions:</u>	We concur with this recommendation. However, due to limited resources and personnel, we cannot fully correct the lack of segregation of duties. The City clerk is providing the City council the financial records on a monthly basis. The council can review them for any unusual items and compare the totals to date with projected budgeted totals. The clerk provides the Mayor with a list of bills to be paid, which the council has approved. All checks will be signed by the Mayor, City council member, City Administrator and one other approved signature.
<u>Finding 2021-2:</u>	City personnel do not currently possess the skills necessary to prepare the financial statements and related footnote disclosure in accordance with generally accepted accounting principles. This could result in the omission of a material financial statement element or disclosure that might not be detected by management.
<u>Effect:</u>	The above deficiency could result in a material misstatement to the City's financial statements that would not be prevented or detected on a timely basis.
<u>Recommendations:</u>	The City should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.
<u>Views of Responsible Officials and Planned Corrective Actions:</u>	We concur and will evaluate the cost effectiveness of implementing the control and act accordingly.
<u>Finding 2021-3:</u>	During the course of the audit, it was noted that some of the uncleared checks and deposits on the bank reconciliation were not correct. In addition, the bank reconciliations were not occurring on a timely basis.
<u>Effect:</u>	This deficiency could result in errors and omissions in the financial statements as well as bank errors and fraud not being discovered on a timely basis.
<u>Recommendations:</u>	The City should perform the bank reconciliation in a timely manner as well as review the bank reconciliations in detail each month paying close attention to uncleared items and determine if they are accurate.
<u>Views of Responsible Officials and Planned Corrective Actions:</u>	We concur and will perform the bank reconciliation in a timely manner and review the bank reconciliations in detail on a regular basis.
<u>Finding 2021-4:</u>	The City's expenditures exceeded appropriations at the legal level of control.
<u>Recommendations:</u>	We recommend that the City pass a budget that accurately reflects the expected expenditures and amend the budget throughout the year to account for unforeseen changes in these expenditures.
<u>Views of Responsible Officials and Planned Corrective Actions:</u>	We concur with the findings of our city auditor and plan on passing an accurate budget as well as amend the budget throughout the year to account for unforeseen changes in revenues and expenditures.



●Morris & Waters●

**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**

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
Hamilton, Georgia

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 and each major fund of the City of Hamilton, Georgia ("the City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2021-1 – 2021-4, to be significant deficiencies.

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. However, material weaknesses may exist that have not been identified.

**Morris & Waters**

Certified Public Accountants

325 Tellico Rd.  
Canton, GA 30115  
Ph (770)-883-3516

www.morris-waters.com

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

### City of Hamilton's Response to Finding

We noted certain matters that we reported to the management of the City in a separate letter dated June 25, 2022.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Morris & Waters

A handwritten signature in cursive script that reads "Morris and Waters".

Canton, Georgia  
June 27, 2022

**CITY OF HAMILTON, GEORGIA**  
**SCHEDULE OF PROJECTS USING SPECIAL PURPOSE SALES TAX PROCEEDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Cost	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total To Date	
<b>Special Local Option Sales Tax - 2014</b>						<b>100%</b>
Roads, Streets & Bridges	\$ 60,000	\$ 74,795	\$ 60,000	\$ 14,795	\$ 74,795	
City Hall Improvements	20,000	19,465	19,465	-	19,465	
Equipment Purchases	125,000	88,464	88,464	-	88,464	
Public Safety Equipment and Improvements	95,000	79,839	79,839	-	79,839	
	<u>\$ 300,000</u>	<u>\$ 262,563</u>	<u>\$ 247,768</u>	<u>\$ 14,795</u>	<u>\$ 262,563</u>	
 <b>Special Local Option Sales Tax - 2019</b>	 \$ 565,000	 \$ 565,000				 <b>44%</b>
Roads, Streets & Bridges			\$ 106,857	\$ 91,185	\$ 198,042	
City Hall Improvements			-	-	-	
Equipment Purchases			-	3,999	3,999	
Public Safety Equipment and Improvements			-	44,212	44,212	
			<u>\$ 106,857</u>	<u>\$ 139,396</u>	<u>\$ 246,253</u>	