

ANNUAL FINANCIAL REPORT

of the

**CITY OF
BUNKER HILL VILLAGE, TEXAS**

For the Year Ended
December 31, 2014

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CITY OF BUNKER HILL VILLAGE, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Bunker Hill Village, Texas:

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 Bunker Hill Village, Texas (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

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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 as of December 31, 2014, 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, budgetary comparison information, and schedule of funding progress, identified as Required Supplementary Information on the table of contents, 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 27, 2015

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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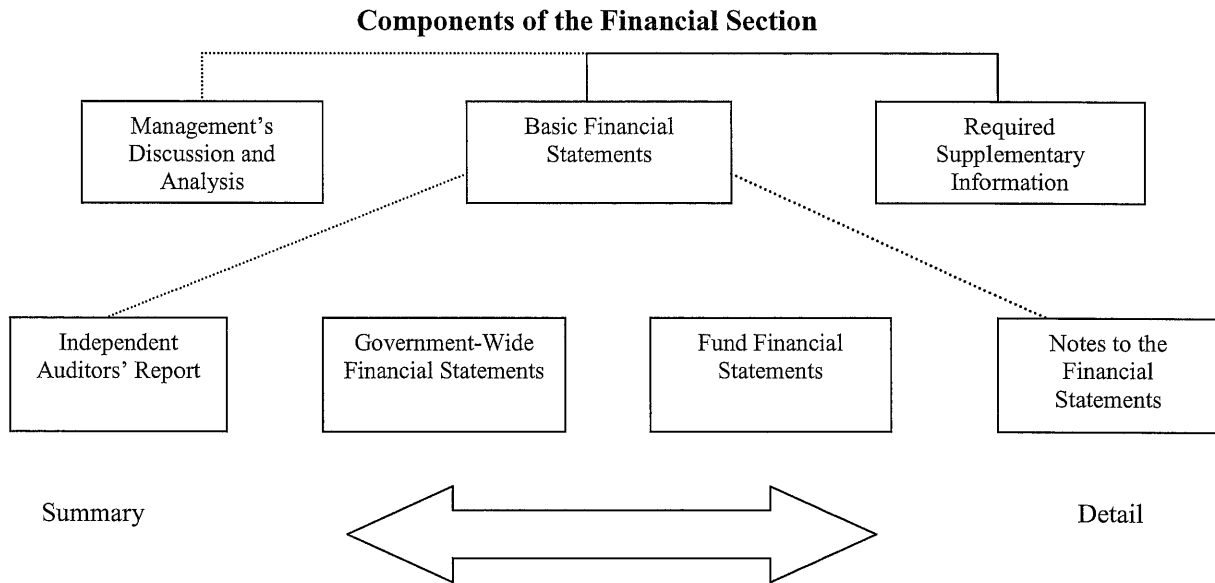
CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Bunker Hill Village, Texas (the "City") for the year ended December 31, 2014. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here, which include general government, public safety, and public works. Interest payments on the City's debt are also reported here. Sales taxes, property taxes, franchise taxes, and other revenue finance most of these activities.
2. Business-Type Activities – Services involving a fee for those services are reported here. These services include the City's water, wastewater, and solid waste operations.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and the Metro fund, which are considered to be major funds for reporting purposes. The Metro fund did not meet the criteria to be presented as a major fund; however, the City has elected to present it as major due to its significance.

The City adopts an annual appropriated budget for its general fund and the Metro fund. A budgetary comparison schedule has been provided for each of these funds to demonstrate compliance with these budgets.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, wastewater, and solid waste operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and the Metro fund and the schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by \$16,868,991 as of year end.

A significant portion of the City's net position, 66 percent, reflects its investment in capital assets (e.g., land and City hall, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 11,572,380	\$ 4,151,189	\$ 15,723,569	\$ 11,266,840	\$ 3,750,879	\$ 15,017,719
Capital assets, net	17,265,779	4,097,077	21,362,856	17,266,147	4,040,786	21,306,933
Total Assets	28,838,159	8,248,266	37,086,425	28,532,987	7,791,665	36,324,652
Deferred Outflows of Resources						
Deferred charge on refunding	101,058	-	101,058	104,481	-	104,481
Liabilities						
Long-term liabilities	14,965,236	-	14,965,236	16,262,030	-	16,262,030
Other liabilities	5,178,118	175,138	5,353,256	4,800,481	13,062	4,813,543
Total Liabilities	20,143,354	175,138	20,318,492	21,062,511	13,062	21,075,573
Net Position						
Net investment in capital						
assets	3,538,873	4,097,077	7,635,950	2,768,781	4,040,786	6,809,567
Restricted	1,353,960	-	1,353,960	1,255,198	-	1,255,198
Unrestricted	3,903,030	3,976,051	7,879,081	3,550,978	3,737,817	7,288,795
Total Net Position	\$ 8,795,863	\$ 8,073,128	\$ 16,868,991	\$ 7,574,957	\$ 7,778,603	\$ 15,353,560

A portion of the City's net position, \$1,353,960, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position, \$7,879,081, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City improved during the year primarily as a result of a decrease in long-term liabilities related to debt and an increase in property tax revenues.

The City's total net position increased by \$1,515,431 during the current fiscal year, an increase of ten percent in comparison to the prior year. The majority of the change is due to the City keeping expenses low while collecting sufficient revenue.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

Statement of Activities

The following table provides a summary of the City's changes in net position.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
	Revenues					
Program revenues:						
Charges for services	\$ 466,620	\$ 2,583,185	\$ 3,049,805	\$ 641,627	\$ 2,749,721	\$ 3,391,348
Operating grants	134,000	-	134,000	129,000	-	129,000
General revenues:						
Property taxes	4,574,721	-	4,574,721	4,331,519	-	4,331,519
Sales and franchise taxes	476,721	-	476,721	393,738	-	393,738
Interest	12,808	5,644	18,452	18,345	5,796	24,141
Other	83,741	12,821	96,562	56,975	5,662	62,637
Total Revenues	5,748,611	2,601,650	8,350,261	5,571,204	2,761,179	8,332,383
Expenses						
General government	615,222	-	615,222	575,713	-	575,713
Public safety	2,451,638	-	2,451,638	2,359,742	-	2,359,742
Public works	947,423	-	947,423	790,396	-	790,396
Interest and fees on debt	441,105	-	441,105	491,050	-	491,050
Bond issuance costs and fees	72,317	-	72,317	-	-	-
Water, sewer, and waste	-	2,307,125	2,307,125	-	2,207,224	2,207,224
Total Expenses	4,527,705	2,307,125	6,834,830	4,216,901	2,207,224	6,424,125
Change in Net Position	1,220,906	294,525	1,515,431	1,354,303	553,955	1,908,258
Beginning net position	7,574,957	7,778,603	15,353,560	6,220,654	7,224,648	13,445,302
Ending Net Position	\$ 8,795,863	\$ 8,073,128	\$ 16,868,991	\$ 7,574,957	\$ 7,778,603	\$ 15,353,560

Revenues for the governmental activities increased \$177,407, or three percent, due to increase in property taxes. Governmental expenses reported an increase for the year of \$310,804, or five percent, due to the increase in public safety and public works expenses.

Revenues for business-type activities decreased by \$159,529, or six percent, primarily due to a decrease in charges for services revenue. A decrease in water consumption was experienced due to favorable weather, reducing the need for increased water consumption. Expenses increased by \$99,901, or five percent, compared to the prior year due to increased maintenance costs and personnel services.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$6,388,973. Of this, \$660,236 is restricted for debt service, \$1,133,473 is restricted for capital projects, and \$693,724 is restricted for Metro.

Overall, there was a decrease in combined fund balance of \$59,407 in comparison to the prior year. The decrease is primarily due to the Eastside drainage project expenditures.

The general fund had revenues which exceeded expenditures by \$365,020. The increase is primarily due to an increase in property tax revenues, charges for services revenue, and franchise fees and local taxes revenues.

The debt service fund had revenues which exceeded expenditures by \$48,878. The increase is primarily due to an increase in property tax revenues.

The capital projects fund had expenditures which exceeded revenues by \$523,191. The decrease is primarily due to the Eastside drainage project expenditures.

The Metro fund had revenues which exceeded expenditures by \$49,886. The increase is primarily due to the lower capital expenditures this year.

Proprietary Funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted general fund revenues by \$58,113 during the year. This increase includes a positive variance of \$40,639 for property tax revenues. General fund expenditures were under the final budget by \$1,190,117, mainly due to positive variances of \$1,078,593 in capital outlay. These expenditures are expected occur in the following fiscal year.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$21,362,856 in a variety of capital assets and infrastructure (net of accumulated depreciation). More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

Major capital asset events during the year included the following:

- Eastside drainage project in the amount of \$518,564
- Eastside drainage project utility work in the amount of \$191,403
- Well repairs in the amount of \$61,403

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

LONG-TERM DEBT

At the end of the year, the City had a total of \$14,965,236 of long-term liabilities outstanding in bonds, notes, and other payables for governmental activities. During the year the City issued 2014 current refunding bonds in the amount of \$2,145,000 resulting in savings of \$255,930.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In continuing the vision of Bunker Hill Village, the City plans to expand and improve quality infrastructure, facilities and public services to meet current and future needs. The City continues to experience growth due to new construction and developments and will continue to focus on maintaining an even balance within City limits.

The City budgeted \$9,248,624 in general revenues and \$8,555,735 in expenditures for a projected increase in fund balance of \$692,889 for the 2015 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to City Administrator, City of Bunker Hill Village, 11977 Memorial Drive, Houston, Texas, 77024.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF NET POSITION

December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 8,387,509	\$ 3,704,832	\$ 12,092,341
Cash with agent	611,185	-	611,185
Receivables, net	2,573,686	446,357	3,020,043
	<u>11,572,380</u>	<u>4,151,189</u>	<u>15,723,569</u>
Capital assets:			
Nondepreciable capital assets	24,944	33,998	58,942
Net depreciable capital assets	17,240,835	4,063,079	21,303,914
	<u>17,265,779</u>	<u>4,097,077</u>	<u>21,362,856</u>
Total Assets	<u>28,838,159</u>	<u>8,248,266</u>	<u>37,086,425</u>
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	101,058	-	101,058
	<u>101,058</u>	<u>-</u>	<u>101,058</u>
<u>Liabilities</u>			
Accounts payable and other current liabilities	179,629	167,638	347,267
Accrued interest payable	129,596	-	129,596
Customer deposits	-	7,500	7,500
	<u>309,225</u>	<u>175,138</u>	<u>484,363</u>
Noncurrent liabilities:			
Long-term liabilities due within one year	1,424,067	-	1,424,067
Long-term liabilities due in more than one year	13,541,169	-	13,541,169
	<u>14,965,236</u>	<u>-</u>	<u>14,965,236</u>
Total Liabilities	<u>15,274,461</u>	<u>175,138</u>	<u>15,449,599</u>
<u>Deferred Inflows of Resources</u>			
Unearned revenue	4,868,893	-	4,868,893
	<u>4,868,893</u>	<u>-</u>	<u>4,868,893</u>
<u>Net Position</u>			
Net investment in capital assets	3,538,873	4,097,077	7,635,950
Restricted for:			
Debt service	660,236	-	660,236
Metro	693,724	-	693,724
Unrestricted	3,903,030	3,976,051	7,879,081
	<u>3,903,030</u>	<u>3,976,051</u>	<u>7,879,081</u>
Total Net Position	<u>\$ 8,795,863</u>	<u>\$ 8,073,128</u>	<u>\$ 16,868,991</u>

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities			
General government	\$ 615,222	\$ 404,816	\$ -
Public safety	2,451,638	61,804	134,000
Public works	947,423	-	-
Interest on long-term debt	441,105	-	-
Bond issuance costs and fees	72,317	-	-
Total Governmental Activities	4,527,705	466,620	134,000
Business-Type Activities			
Water, sewer, and solid waste	2,307,125	2,583,185	-
Total Business-Type Activities	2,307,125	2,583,185	-
Total Primary Government	\$ 6,834,830	\$ 3,049,805	\$ 134,000

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise fees and local taxes

Investment income

Other

Total General Revenues

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position
Primary Government**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (210,406)	\$ -	\$ (210,406)
(2,255,834)	-	(2,255,834)
(947,423)	-	(947,423)
(441,105)	-	(441,105)
(72,317)	-	(72,317)
<u>(3,927,085)</u>	<u>-</u>	<u>(3,927,085)</u>
<u>-</u>	<u>276,060</u>	<u>276,060</u>
<u>-</u>	<u>276,060</u>	<u>276,060</u>
<u>(3,927,085)</u>	<u>276,060</u>	<u>(3,651,025)</u>
4,574,721	-	4,574,721
85,979	-	85,979
390,742	-	390,742
12,808	5,644	18,452
83,741	12,821	96,562
<u>5,147,991</u>	<u>18,465</u>	<u>5,166,456</u>
1,220,906	294,525	1,515,431
7,574,957	7,778,603	15,353,560
<u>\$ 8,795,863</u>	<u>\$ 8,073,128</u>	<u>\$ 16,868,991</u>

CITY OF BUNKER HILL VILLAGE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Metro</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 5,134,578	\$ 1,283,422	\$ 1,264,507	\$ 705,002
Restricted cash	402,492	208,693	-	-
Receivables, net	1,703,156	870,530	-	-
Due from other funds	-	347,287	-	-
Total Assets	<u>\$ 7,240,226</u>	<u>\$ 2,709,932</u>	<u>\$ 1,264,507</u>	<u>\$ 705,002</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 37,317	\$ -	\$ 131,034	\$ 11,278
Due to other funds	347,287	-	-	-
Total Liabilities	<u>384,604</u>	<u>-</u>	<u>131,034</u>	<u>11,278</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	<u>2,954,082</u>	<u>2,049,696</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Restricted:				
Debt service	-	660,236	-	-
Capital projects	-	-	1,133,473	-
Metro	-	-	-	693,724
Unassigned	<u>3,901,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,901,540</u>	<u>660,236</u>	<u>1,133,473</u>	<u>693,724</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,240,226</u>	<u>\$ 2,709,932</u>	<u>\$ 1,264,507</u>	<u>\$ 705,002</u>

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Nondepreciable capital assets

Depreciable capital assets

Accumulated depreciation

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Deferred revenue related to property taxes

Some liabilities, including bonds payable and accrued interest payable, are not reported as liabilities in the governmental funds.

Accrued interest payable

Deferred charge on refunding

Long-term liabilities due within one year

Long-term liabilities due in more than one year

Net Position of Governmental Activities

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,387,509
611,185
2,573,686
347,287
\$ 11,919,667

\$ 179,629
347,287
526,916

5,003,778

660,236
1,133,473
693,724
3,901,540
6,388,973

24,944
22,323,399
(5,082,564)

134,885

(129,596)
101,058
(1,424,067)
(13,541,169)

\$ 8,795,863

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

<u>Revenues</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Metro</u>
Property taxes	\$ 2,733,266	\$ 1,849,053	\$ -	\$ -
Sales taxes	85,979	-	-	-
Charges for services	61,804	-	-	-
Franchise fees and local taxes	390,742	-	-	-
Licenses and permits	404,816	-	-	-
Investment income	7,646	1,805	2,352	1,005
Intergovernmental	-	-	-	134,000
Other	83,741	-	-	-
Total Revenues	<u>3,767,994</u>	<u>1,850,858</u>	<u>2,352</u>	<u>135,005</u>
 <u>Expenditures</u>				
Current:				
General government	597,898	-	-	-
Public safety	2,451,545	-	-	-
Public works	235,228	-	525,543	85,119
Debt service:				
Principal	-	1,330,000	-	-
Interest and fiscal charges	-	458,150	-	-
Bond issuance costs and fees	-	72,317	-	-
Payment to refunding escrow agent	-	2,150,088	-	-
Capital outlay	118,303	-	-	-
Total Expenditures	<u>3,402,974</u>	<u>4,010,555</u>	<u>525,543</u>	<u>85,119</u>
Excess (Deficiency) of				
Revenues Over (Under) Expenditures	<u>365,020</u>	<u>(2,159,697)</u>	<u>(523,191)</u>	<u>49,886</u>
 <u>Other Financing Sources</u>				
Debt issued	-	2,145,000	-	-
Premium on bonds issued	-	63,575	-	-
Total Other Financing Sources	<u>-</u>	<u>2,208,575</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balances				
	365,020	48,878	(523,191)	49,886
Beginning fund balances	<u>3,536,520</u>	<u>611,358</u>	<u>1,656,664</u>	<u>643,838</u>
Ending Fund Balances	<u>\$ 3,901,540</u>	<u>\$ 660,236</u>	<u>\$ 1,133,473</u>	<u>\$ 693,724</u>

See Notes to Financial Statements.

Total	
Governmental	
Funds	
\$	4,582,319
	85,979
	61,804
	390,742
	404,816
	12,808
	134,000
	83,741
	<u>5,756,209</u>
	597,898
	2,451,545
	845,890
	1,330,000
	458,150
	72,317
	2,150,088
	118,303
	<u>8,024,191</u>
	<u>(2,267,982)</u>
	2,145,000
	<u>63,575</u>
	<u>2,208,575</u>
	(59,407)
	<u>6,448,380</u>
\$	<u><u>6,388,973</u></u>

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CITY OF BUNKER HILL VILLAGE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

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

Net changes in fund balances - total governmental funds	\$	(59,407)
---	----	----------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset acquisitions and retirements		543,393
Depreciation expense		(543,761)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Net change in deferred revenue		(7,598)
--------------------------------	--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal paid on long-term debt		1,330,000
Debt issued		(2,145,000)
Amortization of premium		35,648
Premium on debt issued		(63,575)
Payment to refunding escrow agent		2,150,088
Amortization of deferred charges		(13,511)
Accrued interest expense		(5,092)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		(279)
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		<hr style="border: 1px solid black;"/> Change in Net Position of Governmental Activities
	\$	<hr style="border: 3px double black;"/> 1,220,906

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2014

	<u>Business-Type Activities Enterprise</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 3,704,832
Receivables, net	446,357
Total Current Assets	<u>4,151,189</u>
Noncurrent Assets	
Capital assets:	
Land	9,163
Construction in progress	24,835
Building	1,036,160
Infrastructure	9,847,921
Water rights	446,890
Machinery and equipment	400,821
Less accumulated depreciation	(7,668,713)
Total Net Depreciable Assets	<u>4,063,079</u>
Total Noncurrent Assets	<u>4,097,077</u>
Total Assets	<u>8,248,266</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued liabilities	167,638
Customer deposits	7,500
Total Current Liabilities	<u>175,138</u>
Total Liabilities	<u>175,138</u>
<u>Net Position</u>	
Net investment in capital assets	4,097,077
Unrestricted	3,976,051
Total Net Position	<u>\$ 8,073,128</u>

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND POSITION

PROPRIETARY FUND

For the Year Ended December 31, 2014

	<u>Business-Type Activities</u>
<u>Operating Revenues</u>	
Water and sewer charges	\$ 2,583,185
Other	12,821
Total Operating Revenues	<u>2,596,006</u>
<u>Operating Expenses</u>	
Maintenance and operating expenses	2,031,739
Depreciation	275,386
Total Operating Expenses	<u>2,307,125</u>
Operating Income	288,881
<u>Nonoperating Revenues</u>	
Investment earnings	<u>5,644</u>
Change in Net Position	294,525
Beginning net position	<u>7,778,603</u>
Ending Net Position	<u>\$ 8,073,128</u>

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2014

	Business-Type Activities Enterprise
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,511,365
Payments to suppliers	(1,951,086)
Net Cash Provided by Operating Activities	560,279
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(331,677)
Net Cash (Used) by Capital and Related Financing Activities	(331,677)
<u>Cash Flows from Investing Activities</u>	
Interest received	5,644
Net Cash Provided by Investing Activities	5,644
Net Increase in Cash and Cash Equivalents	234,246
Beginning cash and cash equivalents	3,470,588
Ending Cash and Cash Equivalents	\$ 3,704,834
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 288,881
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	275,386
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(84,741)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	161,976
Customer deposits	100
Due to other funds	(81,323)
Net Cash Provided by Operating Activities	\$ 560,279

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bunker Hill Village, Texas (the "City") was organized in 1954. The City operates under the general laws of the State of Texas. The City Council is the principal legislative body of the City. The City Administrator is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Administrator is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services, municipal court, public works to include streets and drainage, water and sewer services, solid waste collection and disposal, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all fiduciary activities of the primary government. *Governmental activities*, which are normally supported by taxes, and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes and franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and debt service. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue fund* is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is the Metro fund and the City has elected to present it as a major fund for reporting purposes.

The *capital project fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital project fund is considered a major fund for reporting purposes.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

The City reports the following enterprise fund:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection, wastewater treatment, and sanitation operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in preparation of the governmental-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period or this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term, highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit
- Money market accounts
- Statewide investment pools

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, machinery, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, machinery, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20-50 years
Machinery and equipment	5-10 years
Vehicles	4-20 years
Water and sewer system	20-65 years
Infrastructure	50-65 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is in the governmental funds balance sheet. The unavailable revenues result from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City's policy is to maintain a minimum unassigned fund balance in the general fund of six months of current year operating expenditures.

11. Estimates

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the municipal code of general law is the object and purpose stated in the approved budget. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk - deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of December 31, 2014, fair market values of pledged securities and FDIC coverage exceeded bank balances.

B. Receivables

The following comprise receivable balances at year end:

	General	Debt Service	Enterprise	Total
Property taxes	\$ 1,623,694	\$ 870,530	\$ -	\$ 2,494,224
Sales taxes	18,979	-	-	18,979
Accounts	-	-	450,969	450,969
Franchise fees	59,743	-	-	59,743
Other	740	-	2,965	3,705
Less allowance	-	-	(7,577)	(7,577)
Totals	\$ 1,703,156	\$ 870,530	\$ 446,357	\$ 3,020,043

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

C. Capital Assets

A summary of changes in capital assets for the year is as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 24,944	\$ -	\$ -	\$ 24,944
Total capital assets, not being depreciated	24,944	-	-	24,944
Other capital assets:				
Infrastructure	21,200,059	543,393	-	21,743,452
Buildings	399,685	-	-	399,685
Vehicles and equipment	180,262	-	-	180,262
Total other capital assets	21,780,006	543,393	-	22,323,399
Less accumulated depreciation for:				
Infrastructure	(4,281,369)	(526,530)	-	(4,807,899)
Buildings	(110,419)	(8,669)	-	(119,088)
Vehicles and equipment	(147,015)	(8,562)	-	(155,577)
Total accumulated depreciation	(4,538,803)	(543,761)	-	(5,082,564)
Other capital assets, net	17,241,203	(368)	-	17,240,835
Total Governmental Activities Capital Assets, Net	\$ 17,266,147	\$ (368)	\$ -	17,265,779
			Less associated debt	(14,961,437)
			Plus deferred loss on refunding	101,058
			Plus unspent bond proceeds	1,133,473
			Net investment in Capital Assets	\$ 3,538,873

Depreciation was charged to governmental functions as follows:

General government	\$ 17,231
Public works	526,530
Total Governmental Activities Depreciation Expense	\$ 543,761

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

The following is a summary of changes in capital assets for business-type activities for the year:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 9,163	\$ -	\$ -	\$ 9,163
Construction in progress	-	24,835	-	24,835
Total capital assets, not being depreciated	9,163	24,835	-	33,998
Other capital assets:				
Buildings	1,036,160	-	-	1,036,160
Water rights	446,890	-	-	446,890
Machinery and equipment	373,251	27,570	-	400,821
Infrastructure	9,568,649	279,272	-	9,847,921
Total other capital assets	11,424,950	306,842	-	11,731,792
Less accumulated depreciation for:				
Buildings	(996,688)	(3,997)	-	(1,000,685)
Water rights	(446,890)	-	-	(446,890)
Machinery and equipment	(204,769)	(19,824)	-	(224,593)
Infrastructure	(5,744,980)	(251,565)	-	(5,996,545)
Total accumulated depreciation	(7,393,327)	(275,386)	-	(7,668,713)
Other capital assets, net	4,031,623	31,456	-	4,063,079
Total Business-Type Activities				
Capital asset, Net	\$ 4,040,786	\$ 56,291	\$ -	\$ 4,097,077

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 275,386
Total Business-Type Activities Depreciation Expense	\$ 275,386

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

D. Long-Term Debt

The following is a summary of changes in the City's total governmental activities long-term liabilities for the year.

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds, notes and other payables:					
Certificates of obligation	\$ 2,265,000	\$ -	\$ (2,265,000)	\$ -	\$ -
General obligation bonds	13,705,000	2,145,000	(1,205,000)	14,645,000 *	1,385,000
Premium	288,510	63,575	(35,648)	316,437 *	35,648
Compensated absences	3,520	-	279	3,799	3,419
Total Governmental Activities	\$ 16,262,030	\$ 2,208,575	\$ (3,505,369)	\$ 14,965,236	\$ 1,424,067
Long-term debt due in more than one year				\$ 13,541,169	
*Debt associated with governmental activity capital assets				\$ 14,961,437	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
Series 2009	2.00-3.38%	\$ 2,390,000
Series 2011	2.00-4.00%	7,080,000
Series 2012	2.00-3.00%	3,030,000
Series 2014	2.00-2.50%	2,145,000
Total Governmental Activities Long-Term Debt		\$ 14,645,000

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

Year Ending Dec 31	Governmental Activities		
	Principal	Interest	Total
2015	\$ 1,385,000	\$ 409,407	\$ 1,794,407
2016	1,430,000	372,057	1,802,057
2017	1,475,000	332,719	1,807,719
2018	1,515,000	291,060	1,806,060
2019	915,000	258,238	1,173,238
2020-2024	4,135,000	927,393	5,062,393
2025-2029	2,740,000	432,654	3,172,654
2030-2031	1,050,000	42,400	1,092,400
Total	\$ 14,645,000	\$ 3,065,927	\$ 17,710,927

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City also issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City is not obligated in any manner for special assessment debt.

Current Refunding

The City issued \$2,145,000 of general obligation refunding bonds, series 2014 and contributed \$24,241 for a current refunding of \$2,140,000 of outstanding certificates of obligation, series 2005. The refunding was undertaken to provide a present value savings of \$217,984. The reacquisition price exceeded the net carrying amount of the old debt by \$10,088. This amount is being amortized over the life of the new debt issued, which is equal to the life of the old debt. The transaction also resulted in an economic gain of \$255,930.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

IV. OTHER INFORMATION

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; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City is a member of the Texas Municipal League Workers' Compensation Intergovernmental Risk Pool (the "TML Pool"), which is not intended to operate as an insurance company, but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The TML Pool contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

It was determined some years ago that 105 addresses in the City were connected and being serviced by the City of Houston for wastewater. It was also determined at that time that 15 addresses in the City of Houston were connected and being serviced by the City. Both parties agreed to service said wastewater as subject to the terms and conditions outlined in the waste disposal contract dated April 10, 2002. At this time, the parties have not determined the financial ramifications of the situation described above.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and RSI for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2014</u>	<u>2013</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

Three-year trend information for the annual pension cost (APC) is as follows:

	2014	2013	2012
Annual Req. Contributions (ARC)	\$ 52,297	\$ 47,168	\$ 44,249
Actual Contribution Made	\$ 52,297	\$ 47,168	\$ 44,249
Percentage of ARC	100.00%	100.00%	100.00%

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	2014	2013	2012
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	25.0 Years - Closed period	24.8 Years - Closed period	25.4 Years - Closed period
Amortization Period for New	25 Years	25 Years	25 Years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.00%	0.00%	0.00%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report.

The funded status as of December 31, 2014, the most recent actuarial valuation date, is presented as follows:

	2014
Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 2,408,749
Actuarial Accrued Liability (AAL)	\$ 2,362,015
Percentage Funded	102.0%
Unfunded AAL (UAAL)	\$ (46,734)
Annual Covered Payroll	\$ 542,516
UAAL as a Percentage of Covered Payroll	(8.6%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Other Post Employment Benefits

TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; and this coverage is an "other post employment benefit," or OPEB. For the year ended December 31, 2014, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City's contributions to the TMRS SDBF for the fiscal years ended 2014, 2013, and 2012 were \$225, \$211, and \$154, respectively, which equaled the required contributions each year. The City's contribution for the past three years are shown below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Req. Contributions (Rate)	0.04%	0.04%	0.03%
Actual Contribution Made	0.04%	0.04%	0.03%
Percentage of ARC Contributed	100.00%	100.00%	100.00%

E. Agreement with Metro and Harris County

On July 1, 1999, the City entered into a Congestion Mitigation/Traffic Management Agreement (the "Agreement") with the Metropolitan Transit Authority of Harris County (Metro). As of December 31, 2014, Metro contributed \$134,000 to the City. Metro is to provide the City annual funding of \$134,000 for eligible transportation projects through December 31, 2025. This is contingent to the

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

City posting signs in favor of the Metro referendum and having the referendum pass. If the referendum does not pass, Metro has the right to keep all the funds.

F. Interlocal Agreement for Water Conservation Credits

In 1995, the City entered into an interlocal agreement (the “Agreement”) with the Harris-Galveston Coastal Subsidence District (the “District”) for the purpose of sponsoring the establishment of water conservation goals, guidelines, and plans to be used within the District. Under this Agreement, the District provides school curriculum kits and in-service training to teachers, as well as provides all support functions for the program to certain schools. The City pays the District \$34.50 for each student sponsored. The City receives a water conservation credit equal to 84,000 gallons of groundwater for each student sponsored. The City may hold, transfer, sell, or redeem the credits at any time. Groundwater credits earned through July 2001 have a lifespan of 40 years. Beginning with the 2001-2002 school year, the District issued a new series of groundwater certificates that will have a lifespan of 20 years and can only be applied to a maximum of 30 percent of a permittee’s total water demand. At year end, the City added 234,780,000 gallons of credit for a total of 1,565,028,000 gallons of credit for use under this Agreement.

G. Related Organizations and Joint Ventures

Memorial Village Police Department – Health Insurance Benefits

In November 2006, the City entered into an insurance agreement (the “Agreement”) by and between the Memorial Village Police Department (the “Department”) and the City of Piney Point Village to collectively seek health and related ancillary benefits for each entity’s employees with the Department serving as the administrator. Under the terms of the Agreement, each party is responsible for the monthly premiums covering that entity’s employees.

Memorial Villages Water Authority

In July 1985, the City entered into a waste disposal agreement (the “Agreement”) with Memorial Villages Water Authority (the “Authority”). As part of this Agreement, the City paid 18.2 percent of the cost of construction for the wastewater treatment plant to the Authority.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

Village Fire Department

The City has entered into an interlocal agreement (the "Agreement") with the cities of Hunters Creek Village, Hedwig Village, Hilshire Village, Piney Point Village and Spring Valley Village to create the Village Fire Department (VFD). The Agreement automatically renews for a period of five years unless terminated by at least one of the contracting cities. Under the terms of the Agreement, the City is liable for 19 percent of the VFD's budget. Consolidated financial information of the VFD extracted from its audited financial statement for the year ended December 31, 2013, on which their auditors expressed an unmodified opinion, is as follows:

	VFD Total		City's Portion (19%)	
	Net Assets	Balance Sheet	Net Assets	Balance Sheet
Total assets	\$ 3,167,660	\$ 1,320,856	\$ 601,855	\$ 250,963
Total liabilities	561,923	196,339	106,765	37,304
Total Participants' Equity	\$ 2,605,737	\$ 1,124,517	\$ 495,090	\$ 213,658
	Change in Net Assets	Revenues and Expenditures	Change in Net Assets	Revenues and Expenditures
Total revenues	\$ 5,145,072	\$ 5,145,072	\$ 977,564	\$ 977,564
Total expenditures/expenses	4,978,091	4,943,622	945,837	939,288
Revenues over expenditures/expenses	166,981	201,450	31,726	38,276
Beginning participants' equity	2,438,756	923,067	463,364	175,383
Ending Participants' Equity	\$ 2,605,737	\$ 1,124,517	\$ 495,090	\$ 213,658
Unfunded actuarial accrued liability at 1/1/13 with TMRS	\$ 651,085		\$ 123,706	
Actuarial Accrued Liability at 1/1/11 for OPEB	\$ 147,392		\$ 28,004	

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2014

Memorial Villages Police Department

The City has also entered into an interlocal agreement (the "Agreement") with the cities of Piney Point Village and Hunters Creek Village to create the Memorial Village Police Department (MVPD). Under the terms of the Agreement, the City is liable for 33 percent of the MVPD's budget.

Consolidated financial information of the MVPD extracted from the its audited financial statement for the year ended December 31, 2014, on which their auditors expressed an unmodified opinion, is as follows:

	MVPD Total		City's Portion (33%)	
	Net Assets	Balance Sheet	Net Assets	Balance Sheet
Total assets	\$ 1,970,877	\$ 351,533	\$ 650,389	\$ 116,006
Total liabilities	817,811	186,375	269,878	61,504
Total Participants' Equity	\$ 1,153,066	\$ 165,158	\$ 380,512	\$ 54,502
	Change in Net Assets	Revenues and Expenditures	Change in Net Assets	Revenues and Expenditures
Total revenues	\$ 4,703,510	\$ 4,703,510	\$ 1,552,158	\$ 1,552,158
Total expenditures/expenses	4,699,824	4,733,606	1,550,942	1,562,090
Revenues over expenditures/expenses	3,686	(30,096)	1,215	(9,932)
Beginning participants' equity	1,149,380	195,254	379,295	64,434
Ending Participants' Equity	\$ 1,153,066	\$ 165,158	\$ 380,512	\$ 54,502
Unfunded actuarial accrued liability at 1/1/14 with TMRS	\$ 2,127,926		\$ 702,216	
Actuarial Accrued Liability at 1/1/12 for OPEB	\$ 1,364,096		\$ 450,152	

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2014

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 2,692,627	\$ 2,692,627	\$ 2,733,266	\$ 40,639
Sales taxes	68,000	68,000	85,979	17,979
Charges for services	40,000	40,000	61,804	21,804
Franchise fees and local taxes	484,150	484,150	390,742	(93,408)
Licenses and permits	308,850	380,150	404,816	24,666
Investment income	9,300	9,300	7,646	(1,654)
Other	32,654	35,654	83,741	48,087
Total Revenues	3,635,581	3,709,881	3,767,994	58,113
Expenditures				
General government	625,750	662,505	597,898	64,607
Public safety	2,411,545	2,451,545	2,451,545	-
Public works	232,000	282,145	235,228	46,917
Capital outlay	1,160,640	1,196,896	118,303	1,078,593
Total Expenditures	4,429,935	4,593,091	3,402,974	1,190,117
Net Change in Fund Balance	\$ (794,354)	\$ (883,210)	365,020	\$ 1,248,230
Beginning fund balance			3,536,520	
		Ending Fund Balance	\$ 3,901,540	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
METRO FUND

For the Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Intergovernmental	\$ 134,000	\$ 134,000	\$ -
Interest on investments	1,000	1,005	5
Total Revenues	135,000	135,005	5
<u>Expenditures</u>			
Public works	116,350	85,119	31,231
Total Expenditures	116,350	85,119	31,231
Net Change in Fund Balance	\$ 18,650	49,886	\$ 31,236
Beginning fund balance		643,838	
Ending Fund Balance		\$ 693,724	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF BUNKER HILL VILLAGE, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2014

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all of the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's schedule of funding progress.

Fiscal Year	2014	2013	2012
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Value of Assets	\$ 2,408,749	\$ 2,376,818	\$ 2,187,668
Actuarial Accrued Liability	\$ 2,362,015	\$ 2,314,723	\$ 2,146,284
Percentage Funded	102.0%	102.7%	101.9%
Unfunded Actuarial			
Accrued Liability (UAAL)	\$ (46,734)	\$ (62,095)	\$ (41,384)
Annual Covered Payroll	\$ 542,516	\$ 513,932	\$ 501,033
(UAAL) % of Covered Payroll	(8.6%)	(12.1%)	(8.3%)
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	52,297	47,168	44,249
Contributions Made	52,297	47,168	44,249
NPO at the End of Period	\$ -	\$ -	\$ -

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