

ANNUAL FINANCIAL REPORT

of the

**CITY OF
BUNKER HILL VILLAGE, TEXAS**

**For the Year Ended
December 31, 2018**

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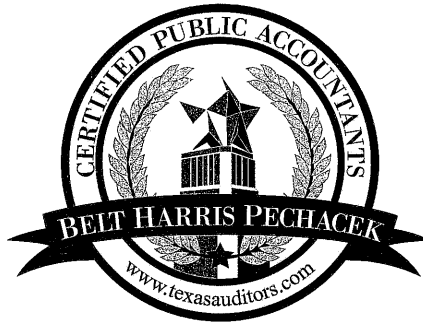
CITY OF BUNKER HILL VILLAGE, TEXAS

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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, each major fund, and the aggregate remaining fund information of the City of Bunker Hill Village, Texas (the "City"), as of and for the year ended December 31, 2018, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

In 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, schedule of changes in net pension and total other postemployment benefits (OPEB) liability and related ratios, and schedule of contributions, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements and schedules are the responsibility of management and were 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 statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
June 11, 2019

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

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CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

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's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here, including general government, public safety, and public works. Interest payments on the City's debt are also reported here. Sales taxes, property taxes, franchise fees, 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 five 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, and the capital projects fund, which are considered to be major funds for reporting purposes. The Metro fund and restricted court fund are considered nonmajor funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and the Metro fund. Budgetary comparison schedules have 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, 2018

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 statements.

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 a budgetary comparison schedule for the general fund and a schedule of changes in net pension and total other postemployment benefits (OPEB) liability and related ratios and a schedule of contributions 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. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$27,296,848 as of year end.

A portion of the City's net position, 69%, reflects its investment in capital assets (e.g., land and City hall, as well as the public works facilities), less any outstanding debt used to acquire those assets. 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, 2018

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 12,234,493	\$ 3,510,844	\$ 15,745,337	\$ 13,540,177	\$ 3,692,558	\$ 17,232,735
Noncurrent assets	21,022,974	6,687,257	27,710,231	17,878,174	6,130,803	24,008,977
Total Assets	33,257,467	10,198,101	43,455,568	31,418,351	9,823,361	41,241,712
Deferred Outflows of Resources						
Deferred charge on refunding	43,651	-	43,651	58,003	-	58,003
Deferred outflows - pensions (TMRS)	58,324	83,857	142,181	103,825	149,123	252,948
Deferred outflows - OPEB (SDBF)	1,976	-	1,976	315	-	315
Total Deferred Outflows	103,951	83,857	187,808	162,143	149,123	311,266
Liabilities						
Long-term liabilities	9,055,536	11,285	9,066,821	10,649,667	83,593	10,733,260
Other liabilities	908,789	195,636	1,104,425	286,983	429,206	716,189
Total Liabilities	9,964,325	206,921	10,171,246	10,936,650	512,799	11,449,449
Deferred Inflows of Resources						
Deferred inflows - pensions (TMRS)	32,452	47,009	79,461	-	-	-
Unearned revenue	6,095,821	-	6,095,821	6,053,803	-	6,053,803
Total Deferred Inflows	6,128,273	47,009	6,175,282	6,053,803	-	6,053,803
Net Position						
Net investment in capital assets	12,047,684	6,681,645	18,729,329	7,371,683	6,130,803	13,502,486
Restricted	811,445	-	811,445	3,828,996	-	3,828,996
Unrestricted	4,409,691	3,346,383	7,756,074	3,389,362	3,328,882	6,718,244
Total Net Position	\$ 17,268,820	\$ 10,028,028	\$ 27,296,848	\$ 14,590,041	\$ 9,459,685	\$ 24,049,726

A portion of the City's net position, \$811,445, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position, \$7,756,074, may be used to meet the City's ongoing obligation to citizens and creditors. Assets increased compared to the prior year due to an increase in capital assets related to various capital projects. Long-term liabilities decreased due to scheduled principal payments made during the fiscal year. Other liabilities increased compared to the prior year due to an increase in construction invoices payable at fiscal year end. Unearned revenues increased compared to the prior year due to an increase in the assessed values of properties within the City.

The City's total net position increased by \$3,247,122 or 13% during the current fiscal year.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

Statement of Activities

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

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 600,155	\$ 3,307,864	\$ 3,908,019	\$ 612,030	\$ 3,193,945	\$ 3,805,975
Operating grants	134,000	-	134,000	134,000	-	134,000
General revenues:						
Property taxes	6,160,676	-	6,160,676	5,853,556	-	5,853,556
Sales taxes and franchise fees	440,866	-	440,866	448,590	-	448,590
Interest	58,712	19,616	78,328	66,311	28,682	94,993
Other	108,375	132,557	240,932	78,017	40,018	118,035
Total Revenues	7,502,784	3,460,037	10,962,821	7,192,504	3,262,645	10,455,149
Expenses						
General government	671,381	-	671,381	719,790	-	719,790
Public safety	2,900,786	-	2,900,786	2,823,401	-	2,823,401
Public works	991,234	-	991,234	1,015,080	-	1,015,080
Interest and fiscal charges	260,604	-	260,604	294,033	-	294,033
Water, sewer, and waste	-	2,891,694	2,891,694	-	2,628,146	2,628,146
Total Expenses	4,824,005	2,891,694	7,715,699	4,852,304	2,628,146	7,480,450
Change in Net Position	2,678,779	568,343	3,247,122	2,340,200	634,499	2,974,699
Beginning net position	14,590,041	9,459,685	24,049,726	12,249,841	8,825,186	21,075,027
Ending Net Position	\$ 17,268,820	\$ 10,028,028	\$ 27,296,848	\$ 14,590,041	\$ 9,459,685	\$ 24,049,726

Revenues for the governmental activities increased \$310,280, or 4%, due to an increase in the City's tax levy. Governmental expenses were comparable to the prior year decreasing \$28,299, or less than 1%.

Revenues for business-type activities increased by \$197,392, or 6%, primarily due to an increase in charges for services revenue related to an increase in rates. Expenses increased by \$263,548, or 10%, compared to the prior year due to an increase in water purchased to meet customer consumption demands and noncapital expenses.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

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 on 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 \$5,180,020. Of this, \$440,057 is restricted for Metro, \$355,227 is restricted for debt service, and \$16,161 is restricted for enabling legislation. The City has assigned \$1,850,456 for emergency purposes.

Overall, there was an decrease in combined fund balance of \$1,939,328 in comparison to the prior year. The decrease is primarily due to an increase in expenditures related to infrastructure and street repairs.

The general fund had revenues that exceeded expenditures by \$1,078,223. Revenues increased due to an increase in property tax revenues from an increase in the assessed values of properties and an increase in building permits issued. Expenditures increased due to an increase in personnel costs, fire and police department expenditures, and an increase in professional services.

The debt service fund had a net reduction in fund balance for the year of \$3,995. The decrease is due to debt service payments in excess of property tax collection.

The capital projects fund had a decrease in fund balance of \$3,023,632 related to various capital projects.

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 \$238,983 during the year. This net variance is largely due to licenses and permits revenues, property taxes revenues, and sales tax revenues over what was anticipated. General fund expenditures were under the final budget by \$3,870,498, mainly due to a large positive variance in capital outlay.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$27,699,524 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the year included the following:

- Wastewater rehabilitation projects 1 and 2
- Regional drainage project 1
- Water plant #1 tank project
- Street project, Localize-Wood Lane

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

LONG-TERM DEBT

At the end of the year, the City had a total of \$9,056,114 in long-term liabilities. This balance consists of outstanding bonds, net pension and total other postemployment benefits (OPEB) liability/(asset), and compensated absences for governmental and business-type activities.

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 adopted a \$6,004,430 general fund budget for fiscal year 2019, which is an increase of 12.58% compared to the 2018 adopted budget.

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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,777,529	\$ 3,004,694	\$ 10,782,223
Cash restricted	-	14,793	14,793
Cash with agent	1,109,903	-	1,109,903
Receivables, net	3,347,061	491,357	3,838,418
	12,234,493	3,510,844	15,745,337
Noncurrent assets:			
Net pension asset	5,095	5,612	10,707
Nondepreciable capital assets	3,939,173	475,362	4,414,535
Net depreciable capital assets	17,078,706	6,206,283	23,284,989
	21,022,974	6,687,257	27,710,231
Total Assets	33,257,467	10,198,101	43,455,568
Deferred Outflows of Resources			
Deferred charge on refunding	43,651	-	43,651
Deferred outflows - pensions (TMRS)	58,324	83,857	142,181
Deferred outflows - OPEB (SDBF)	1,976	-	1,976
Total Deferred Outflows of Resources	103,951	83,857	187,808
Liabilities			
Accounts payable and other current liabilities	841,774	180,843	1,022,617
Accrued interest payable	67,015	-	67,015
Customer deposits	-	14,793	14,793
	908,789	195,636	1,104,425
Noncurrent liabilities:			
Long-term liabilities due within one year	956,138	10,157	966,295
Long-term liabilities due in more than one year	8,099,398	1,128	8,100,526
	9,055,536	11,285	9,066,821
Total Liabilities	9,964,325	206,921	10,171,246
Deferred Inflows of Resources			
Deferred inflows - pensions (TMRS)	32,452	47,009	79,461
Unearned revenue	6,095,821	-	6,095,821
Total Deferred Inflows of Resources	6,128,273	47,009	6,175,282
Net Position			
Net investment in capital assets	12,047,684	6,681,645	18,729,329
Restricted for:			
Debt service	355,227	-	355,227
Metro	440,057	-	440,057
Enabling legislation	16,161	-	16,161
Unrestricted	4,409,691	3,346,383	7,756,074
	4,409,691	3,346,383	7,756,074
Total Net Position	\$ 17,268,820	\$ 10,028,028	\$ 27,296,848

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities			
General government	\$ 671,381	\$ 550,337	\$ -
Public safety	2,900,786	49,818	134,000
Public works	991,234	-	-
Interest on fiscal charges	260,604	-	-
Total Governmental Activities	4,824,005	600,155	134,000
Business-Type Activities			
Water, sewer, and solid waste	2,891,694	3,307,864	-
Total Business-Type Activities	2,891,694	3,307,864	-
Total Primary Government	\$ 7,715,699	\$ 3,908,019	\$ 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>
\$ (121,044)	\$ -	\$ (121,044)
(2,716,968)	-	(2,716,968)
(991,234)	-	(991,234)
(260,604)	-	(260,604)
<u>(4,089,850)</u>	<u>-</u>	<u>(4,089,850)</u>
-	416,170	416,170
-	416,170	416,170
<u>(4,089,850)</u>	<u>416,170</u>	<u>(3,673,680)</u>
6,160,676	-	6,160,676
162,022	-	162,022
278,844	-	278,844
58,712	19,616	78,328
108,375	132,557	240,932
<u>6,768,629</u>	<u>152,173</u>	<u>6,920,802</u>
2,678,779	568,343	3,247,122
14,590,041	9,459,685	24,049,726
<u>\$ 17,268,820</u>	<u>\$ 10,028,028</u>	<u>\$ 27,296,848</u>

CITY OF BUNKER HILL VILLAGE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 5,962,657	\$ 608,026	\$ 747,983	\$ 458,863
Cash with agent	901,329	208,574	-	-
Receivables, net	2,413,665	933,396	-	-
Due from other funds	-	352,188	-	-
Total Assets	\$ 9,277,651	\$ 2,102,184	\$ 747,983	\$ 458,863
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 91,146	\$ -	\$ 747,983	\$ 2,645
Due to other funds	352,188	-	-	-
Total Liabilities	443,334	-	747,983	2,645
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	4,465,742	1,746,957	-	-
<u>Fund Balances</u>				
Restricted:				
Debt service	-	355,227	-	-
Metro	-	-	-	440,057
Enabling legislation	-	-	-	16,161
Assigned				
Emergency	1,850,456	-	-	-
Unassigned	2,518,119	-	-	-
Total Fund Balances	4,368,575	355,227	-	456,218
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,277,651	\$ 2,102,184	\$ 747,983	\$ 458,863

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 7,777,529
1,109,903
3,347,061
352,188
\$ 12,586,681

\$ 841,774
352,188
1,193,962

6,212,699

355,227
440,057
16,161

1,850,456
2,518,119
5,180,020

\$ 12,586,681

CITY OF BUNKER HILL VILLAGE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2018

Total fund balances for the governmental funds	\$	5,180,020
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		3,939,173
Depreciable capital assets		24,512,720
Accumulated depreciation		(7,434,014)
Long-term liabilities and deferred outflows and inflows related to the net pension and total other postemployment benefits (OPEB) liability (asset) are not reported in the governmental funds.		
Net pension liability (asset) - TMRS		5,095
Total OPEB liability - SDBF		(32,169)
Deferred outflows - pensions (TMRS)		58,324
Deferred inflows - pensions (TMRS)		(32,452)
Deferred outflows - OPEB (SDBF)		1,976
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		116,878
Some liabilities, including bonds payable and accrued interest payable, are not reported as liabilities in the governmental funds.		
Accrued interest payable		(67,015)
Deferred charge on refunding		43,651
Long-term liabilities due within one year		(956,138)
Long-term liabilities due in more than one year		(8,067,229)
Net Position of Governmental Activities	\$	<u>17,268,820</u>

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

<u>Revenues</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>
Property taxes	\$ 4,401,524	\$ 1,799,993	\$ -	\$ -
Sales taxes	162,022	-	-	-
Charges for services	49,818	-	-	-
Franchise fees and local taxes	278,844	-	-	-
Fines and forfeitures	113,180	-	-	11,409
Licenses and permits	425,748	-	-	-
Investment income	33,002	3,573	19,324	2,813
Intergovernmental	-	-	-	134,000
Other	108,375	-	-	-
Total Revenues	<u>5,572,513</u>	<u>1,803,566</u>	<u>19,324</u>	<u>148,222</u>
 <u>Expenditures</u>				
Current:				
General government	740,008	-	-	-
Public safety	2,862,383	-	-	38,403
Public works	325,641	-	-	76,591
Debt service:				
Principal	-	1,515,000	-	-
Interest and fiscal charges	-	292,561	-	-
Capital outlay				
	-	-	3,609,214	23,152
Total Expenditures	<u>3,928,032</u>	<u>1,807,561</u>	<u>3,609,214</u>	<u>138,146</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>1,644,481</u>	<u>(3,995)</u>	<u>(3,589,890)</u>	<u>10,076</u>
 <u>Other Financing Sources</u>				
Transfer in	-	-	566,258	-
Transfer (out)	(566,258)	-	-	-
Total Other Financing Sources	<u>(566,258)</u>	<u>-</u>	<u>566,258</u>	<u>-</u>
 Net Change in Fund Balances				
	1,078,223	(3,995)	(3,023,632)	10,076
Beginning fund balances	<u>3,290,352</u>	<u>359,222</u>	<u>3,023,632</u>	<u>446,142</u>
Ending Fund Balances	<u>\$ 4,368,575</u>	<u>\$ 355,227</u>	<u>\$ -</u>	<u>\$ 456,218</u>

See Notes to Financial Statements.

Total Governmental Funds	
\$	6,201,517
	162,022
	49,818
	278,844
	124,589
	425,748
	58,712
	134,000
	108,375
	<u>7,543,625</u>
	740,008
	2,900,786
	402,232
	1,515,000
	292,561
	<u>3,632,366</u>
	<u>9,482,953</u>
	<u>(1,939,328)</u>
	566,258
	<u>(566,258)</u>
	<u>-</u>
	(1,939,328)
	<u>7,119,348</u>
\$	<u><u>5,180,020</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, 2018

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

Net changes in fund balances - total governmental funds	\$	(1,939,328)
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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		3,747,569
Depreciation expense		(607,864)

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		(40,841)
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Net pension and other postemployment benefits (OPEB) liability (asset) and deferred outflows and inflows related to the net pension and other postemployment benefits (OPEB) liability are not reported in the governmental funds.

Net pension liability (asset) - TMRS		56,554
Total OPEB liability - SDBF		(4,034)
Deferred outflows - pensions (TMRS)		(77,953)
Deferred outflows - OPEB (SDBF)		1,661

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		1,515,000
Amortization of premium		35,648
Amortization of deferred charges		(14,352)
Accrued interest expense		10,661

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		(3,942)
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Change in Net Position of Governmental Activities	\$	2,678,779
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See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2018

	<u>Business-Type Activities Enterprise</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 3,004,694
Restricted cash and cash equivalents	14,793
Receivables, net	491,357
Total Current Assets	<u>3,510,844</u>
Noncurrent Assets	
Net pension asset	5,612
Capital assets:	
Land	9,163
Construction in progress	466,199
Building	2,268,725
Infrastructure	12,025,140
Water rights	446,890
Machinery and equipment	400,821
Less accumulated depreciation	(8,935,293)
Total Net Depreciable Assets	<u>6,211,895</u>
Total Noncurrent Assets	<u>6,687,257</u>
Total Assets	<u>10,198,101</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions (TMRS)	<u>83,857</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued liabilities	180,843
Customer deposits	14,793
Compensated absences	10,157
Total Current Liabilities	<u>205,793</u>
Noncurrent Liabilities	
Compensated absences	1,128
Total Noncurrent Liabilities	<u>1,128</u>
Total Liabilities	<u>206,921</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions (TMRS)	<u>47,009</u>
<u>Net Position</u>	
Net investment in capital assets	6,681,645
Unrestricted	3,346,383
Total Net Position	<u>\$ 10,028,028</u>

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2018

	<u>Business-Type Activities Enterprise</u>
<u>Operating Revenues</u>	
Water and sewer charges	\$ 3,307,864
Other	132,557
Total Operating Revenues	<u>3,440,421</u>
<u>Operating Expenses</u>	
Personal services	535,977
Contractual and professional services	74,432
Repairs and maintenance	138,986
Insurance	13,267
Utilities	81,225
Water purchase	758,489
Waste water treatment	141,628
Sanitation	400,015
Other	360,774
Depreciation	386,901
Total Operating Expenses	<u>2,891,694</u>
Operating Income	548,727
<u>Nonoperating Revenues</u>	
Investment earnings	<u>19,616</u>
Change in Net Position	568,343
Beginning net position	<u>9,459,685</u>
Ending Net Position	<u>\$ 10,028,028</u>

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2018

	<u>Business-Type Activities Enterprise</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 3,563,520
Payments to suppliers	(2,199,206)
Payments to employees	(501,621)
Net Cash Provided by Operating Activities	<u>862,693</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(937,743)
Net Cash (Used) by Capital and Related Financing Activities	<u>(937,743)</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	19,616
Net Cash Provided by Investing Activities	<u>19,616</u>
Net (Decrease) in Cash and Cash Equivalents	(55,434)
Beginning cash and cash equivalents	<u>3,074,921</u>
Ending Cash and Cash Equivalents	<u>\$ 3,019,487</u>
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	\$ 3,004,694
Restricted cash and cash equivalents	14,793
	<u>\$ 3,019,487</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 548,727
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	386,901
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	126,280
Deferred outflows - pensions (TMRS)	65,266
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(230,390)
Customer deposits	(3,180)
Compensated absences	3,531
Net pension liability (asset)	(81,451)
Deferred inflows - pensions (TMRS)	47,009
Net Cash Provided by Operating Activities	<u>\$ 862,693</u>

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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 City 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 (through Memorial Villages Police Department and Village Fire Department), 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 of the nonfiduciary activities of the primary government. *Governmental activities*, which are normally supported by taxes, 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, 2018

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 wastewater functions 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, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works. 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 funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the general fund and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

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.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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.

Property taxes, sales taxes, franchise fees, 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

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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

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 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 \$5,000 for vehicles and equipment and \$25,000 for all other capital asset types and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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 outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the City's defined benefit pension and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of plan members. A deferred charge has been recognized for employer pension and OPEB plans contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension/total OPEB liability during the measurement period in which the contributions were made.

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 two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. On the Statement of Net Position, the City reports deferred inflows for property taxes that were levied for use in the next fiscal year. At the fund level, the City has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The 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. 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, 2018

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.

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.

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).

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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.

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 and an unrestricted net position in the enterprise fund of three months of current year operating expenses.

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, 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.

12. Pensions

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

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

accordance with the benefit terms. Information about the City's total other postemployment (OPEB) liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

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.

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, 2018, fair market values of pledged securities and FDIC coverage exceeded bank balances.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

B. Receivables

The following comprise receivable balances at year end:

	General	Debt Service	Enterprise	Total
Property taxes	\$ 2,346,968	\$ 933,396	\$ -	\$ 3,280,364
Sales taxes	34,700	-	-	34,700
Accounts	-	-	498,934	498,934
Franchise fees	33,803	-	-	33,803
Allowance	(1,806)	-	(7,577)	(9,383)
Totals	\$ 2,413,665	\$ 933,396	\$ 491,357	\$ 3,838,418

C. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year:

	Primary Government			
	Beginning Balance	Increases	(Decreases)	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 24,944	\$ -	\$ -	\$ 24,944
Construction in progress	428,516	3,485,713	-	3,914,229
Total capital assets, not being depreciated	453,460	3,485,713	-	3,939,173
Other capital assets:				
Infrastructure	23,670,917	217,396	-	23,888,313
Buildings	399,685	8,960	-	408,645
Vehicles and equipment	180,262	35,500	-	215,762
Total other capital assets	24,250,864	261,856	-	24,512,720
Less accumulated depreciation for:				
Infrastructure	(6,514,019)	(589,002)	-	(7,103,021)
Buildings	(145,096)	(9,117)	-	(154,213)
Vehicles and equipment	(167,035)	(9,745)	-	(176,780)
Total accumulated depreciation	(6,826,150)	(607,864)	-	(7,434,014)
Other capital assets, net	17,424,714	(346,008)	-	17,078,706
Total Governmental Activities Capital Assets, Net	\$ 17,878,174	\$ 3,139,705	\$ -	21,017,879
			Less associated debt	(9,013,846)
			Plus deferred loss on refunding	43,651
			Net investment in Capital Assets	\$ 12,047,684

Depreciation was charged to governmental functions as follows:

General government	\$ 18,862
Public works	589,002
Total Governmental Activities Depreciation Expense	\$ 607,864

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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	1,991,930	846,392	(2,372,123)	466,199
Total capital assets, not being depreciated	2,001,093	846,392	(2,372,123)	475,362
Other capital assets:				
Buildings	1,036,160	1,232,565	-	2,268,725
Water rights	446,890	-	-	446,890
Machinery and equipment	400,821	-	-	400,821
Infrastructure	10,794,231	1,230,909	-	12,025,140
Total other capital assets	12,678,102	2,463,474	-	15,141,576
Less accumulated depreciation for:				
Buildings	(1,009,181)	(27,483)	-	(1,036,664)
Water rights	(446,890)	-	-	(446,890)
Machinery and equipment	(280,301)	(16,813)	-	(297,114)
Infrastructure	(6,812,020)	(342,605)	-	(7,154,625)
Total accumulated depreciation	(8,548,392)	(386,901)	-	(8,935,293)
Other capital assets, net	4,129,710	2,076,573	-	6,206,283
Total Business-Type Activities				
Capital Assets, Net	\$ 6,130,803	\$ 2,922,965	\$ (2,372,123)	\$ 6,681,645

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 386,901
Total Business-Type Activities Depreciation Expense	\$ 386,901

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

D. Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds, notes and other payables:					
General obligation bonds	\$ 10,355,000	\$ -	\$ (1,515,000)	\$ 8,840,000	* \$ 915,000
Premium	209,494	-	(35,648)	173,846	* 32,569
Compensated absences	5,579	11,292	(7,350)	9,521	8,569
Net pension liability (asset)	51,459	-	(56,554)	(5,095)	-
Total OPEB liability - SDBF	28,135	4,034	-	32,169	-
Total Governmental Activities	<u>\$ 10,649,667</u>	<u>\$ 15,326</u>	<u>\$ (1,614,552)</u>	<u>\$ 9,050,441</u>	<u>\$ 956,138</u>
				<u>\$ 8,094,303</u>	
					<u>\$ 9,013,846</u>
Business-Type Activities					
Compensated absences	\$ 7,754	\$ 16,541	\$ (13,010)	\$ 11,285	\$ 10,157
Net pension liability (asset)	75,839	-	(81,451)	(5,612)	-
Total Business-Type Activities	<u>\$ 83,593</u>	<u>\$ 16,541</u>	<u>\$ (94,461)</u>	<u>\$ 5,673</u>	<u>\$ 10,157</u>
				<u>\$ (4,484)</u>	

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.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
Series 2011	2.00-4.00%	\$ 5,710,000
Series 2012	3.00%	1,615,000
Series 2014	2.00-2.75%	1,515,000
Total Governmental Activities Long-Term Debt		\$ 8,840,000

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

Year Ending Dec 31	Governmental Activities		
	Principal	Interest	Total
2019	\$ 915,000	\$ 258,238	\$ 1,173,238
2020	940,000	234,413	1,174,413
2021	975,000	209,110	1,184,110
2022	1,005,000	181,957	1,186,957
2023	595,000	159,594	754,594
2024-2028	2,860,000	523,598	3,383,598
2029-2031	1,550,000	93,775	1,643,775
Total	\$ 8,840,000	\$ 1,660,685	\$ 10,500,685

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.

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, 2018

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfer In	Transfer Out	Amounts
Capital Projects Fund	General Fund	\$ 566,258

Amounts transferred between funds related to amounts collected by the general fund for various capital projects.

The composition of interfund balances as of year end were as follows:

Receivables Fund	Payables Fund	Amounts
Debt Service Fund	General Fund	\$ 352,188

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity

As of December 31, 2018, \$16,161 of the City's total fund balance is restricted by enabling legislation.

G. Restatement of Net Position Fund Balance

Beginning net position for governmental activities was restated for the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	Governmental Activities
Prior year ending net position fund balances	\$ 14,617,861
Total OPEB liability - SDBF	(28,135)
Deferred outflows - contributions after measurement date - SDBF	315
Beginning net position fund balances - restated	\$ 14,590,041

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 that 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

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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 that 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 participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

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:

	2018	2017
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% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving, benefits	6
Active employees	7
Total	19

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.51 percent and 10.99 percent in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended December 31, 2018 were \$69,773, which were equal to the required contributions.

Net Pension Liability/(Asset)

The City's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the NPL/A was determined by an actuarial valuation as of that date.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

Actuarial Assumptions

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL/(A)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 104,237	\$ -	\$ 104,237
Interest	197,104	-	197,104
Changes in benefit terms	-	-	-
Difference between expected and actual experience	62,665	-	62,665
Changes in assumptions	-	-	-
Contributions - employer	-	71,659	(71,659)
Contributions - employee	-	44,088	(44,088)
Net investment income	-	388,379	(388,379)
Benefit payments, including refunds of employee contributions	(124,545)	(124,545)	-
Administrative expense	-	(2,013)	2,013
Other changes	-	(102)	102
Net Changes	239,461	377,466	(138,005)
Balance at December 31, 2016	2,930,216	2,802,918	127,298
Balance at December 31, 2017	\$ 3,169,677	\$ 3,180,384	\$ (10,707)

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	\$ 364,294	\$ (10,707)	\$ (327,654)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended December 31, 2018, the City recognized pension expense of \$121,981.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

At December 31, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 62,901	\$ -
Changes in actuarial assumptions	9,507	-
Net difference between projected and actual investment earnings	-	79,461
Contributions subsequent to the measurement date	69,773	-
Total	\$ 142,181	\$ 79,461

\$69,773 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December	Pension Expense
2019	\$ 43,901
2020	19,951
2021	(31,071)
2022	(39,834)
Total	\$ (7,053)

D. Other Postemployment Benefits

TMRS Supplemental Death Benefit

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	5	
Active employees	7	
Total	<u>12</u>	

Total OPEB Liability

The City's total OPEB liability of \$32,169 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%	
Salary increases	3.50% to 10.50% including inflation	
Discount rate	3.31%*	
Retirees' share of benefit-related costs	Zero	
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.	
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and project on a fully generational basis with scale BB.	
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.	

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 1,134
Interest	1,079
Changes of assumptions	2,136
Benefit payments*	(315)
Net Changes	4,034
Balance at December 31, 2016	28,135
Balance at December 31, 2017	\$ 32,169

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$ 37,564	\$ 32,169	\$ 27,855

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$2,695.

The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 1,654
Contributions subsequent to the measurement date	322
Total	\$ 1,976

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

\$322 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending December 31, 2019.

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

<u>Year Ended</u> <u>December 31</u>	<u>OPEB Expense</u> <u>Amount</u>
2019	482
2020	482
2021	482
2022	208
Total	\$ 1,654

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, 2018, 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 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 1,824,260,000 gallons of credit for use under this Agreement.

G. Related Organizations and Joint Ventures

Memorial Villages Police Department – Health Insurance Benefits

In November 2006, the City entered into an insurance agreement (the "Agreement") by and between the Memorial Villages 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.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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.

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 statements for the year ended December 31, 2018, on which their auditors expressed an unmodified opinion, is as follows:

	VFD Total*		City's Portion (19%)	
	Net Position	Balance Sheet	Net Position	Balance Sheet
Total assets and deferred outflows	\$ 3,589,646	\$ 1,034,467	\$ 682,033	\$ 196,549
Total liabilities and deferred inflows	1,773,076	223,076	336,884	42,384
Total Participants' Equity	\$ 1,816,570	\$ 811,391	\$ 345,148	\$ 154,164
	Change in Net Position	Revenues and Expenditures	Change in Net Position	Revenues and Expenditures
Total revenues	\$ 6,336,038	\$ 6,336,038	\$ 1,203,847	\$ 1,203,847
Total expenditures/expenses	6,069,323	5,857,505	1,153,171	1,112,926
Revenues over expenditures/expenses	266,715	478,533	50,676	90,921
Beginning participants' equity	1,549,855	332,858	294,472	63,243
Ending Participants' Equity	\$ 1,816,570	\$ 811,391	\$ 345,148	\$ 154,164
Net pension liability				
at 12/31/18 with TMRS	\$ 164,746		\$ 31,302	
Total OPEB liability				
at 12/31/18 for TMRS SDBF	\$ 142,870		\$ 47,147	

* "Draft" figures as of the issuance date of the City's report.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2018

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 Villages 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 statements for the year ended December 31, 2018, on which their auditors expressed an unmodified opinion, is as follows:

Memorial Villages Police Department

	<u>MVPD Total</u>		<u>City's Portion (33%)</u>	
	<u>Net Position</u>	<u>Balance Sheet</u>	<u>Net Position</u>	<u>Balance Sheet</u>
Total assets and deferred outflows	\$ 2,506,613	\$ 749,511	\$ 827,182	\$ 247,339
Total liabilities and deferred inflows	3,364,671	499,357	1,110,341	164,788
Total Participants' Equity	<u>\$ (858,058)</u>	<u>\$ 250,154</u>	<u>\$ (283,159)</u>	<u>\$ 82,551</u>
	<u>Change in</u>	<u>Revenues and</u>	<u>Change in</u>	<u>Revenues and</u>
	<u>Net Position</u>	<u>Expenditures</u>	<u>Net Position</u>	<u>Expenditures</u>
Total revenues	\$ 4,928,867	\$ 4,928,867	\$ 1,626,526	\$ 1,626,526
Total expenditures/expenses	5,352,792	4,893,916	1,766,421	1,614,992
Revenues over expenditures/expenses	(423,925)	34,951	(139,895)	11,534
Beginning participants' equity	(434,133)	215,203	(143,264)	71,017
Ending Participants' Equity	<u>\$ (858,058)</u>	<u>\$ 250,154</u>	<u>\$ (283,159)</u>	<u>\$ 82,551</u>
Net pension liability				
at 12/31/18 with TMRS	<u>\$ 2,022,414</u>		<u>\$ 667,397</u>	
Total OPEB liability				
at 12/31/18 for TMRS SDBF and retiree health	<u>\$ 336,608</u>		<u>\$ 111,081</u>	

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, 2018

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 4,317,700	\$ 4,317,700	\$ 4,401,524	\$ 83,824
Sales taxes	100,000	100,000	162,022	62,022
Charges for services	72,150	72,150	49,818	(22,332)
Franchise fees and local taxes	310,000	310,000	278,844	(31,156)
Fines and forfeitures	162,660	162,660	113,180	(49,480)
Licenses and permits	294,200	294,200	425,748	131,548
Investment income	35,000	35,000	33,002	(1,998)
Other	41,820	41,820	108,375	66,555
Total Revenues	5,333,530	5,333,530	5,572,513	238,983
Expenditures				
General government	845,140	771,643	740,008	31,635
Public safety	2,894,717	2,894,752	2,862,383	32,369
Public works	304,500	333,502	325,641	7,861
Capital outlay	3,754,173	3,798,633	-	3,798,633
Total Expenditures	7,798,530	7,798,530	3,928,032	3,870,498
Excess of Revenues Over Expenditures	(2,465,000)	(2,465,000)	1,644,481	4,109,481
Other Financing (Uses)				
Transfers (out)	-	-	(566,258)	(566,258)
Total Other Financing (Uses)	-	-	(566,258)	(566,258)
Net Change in Fund Balance	\$ (2,465,000)	\$ (2,465,000)	1,078,223	\$ 3,543,223
Beginning fund balance			3,290,352	
		Ending Fund Balance	\$ 4,368,575	

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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2018

	Measurement Year*			
	2015	2016	2017	2018
Total Pension Liability				
Service cost	\$ 96,882	\$ 101,270	\$ 102,034	\$ 104,237
Interest (on the total pension liability)	164,373	175,323	184,637	197,104
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	17,523	26,875	21,467	62,665
Changes in assumptions	-	51,452	-	-
Benefit payments, including refunds of employee cont	(124,545)	(124,545)	(124,545)	(124,545)
Net Change in Total Pension Liability	<u>154,233</u>	<u>230,375</u>	<u>183,593</u>	<u>239,461</u>
Beginning total pension liability	<u>2,362,015</u>	<u>2,516,248</u>	<u>2,746,623</u>	<u>2,930,216</u>
Ending Total Pension Liability	<u>\$ 2,516,248</u>	<u>\$ 2,746,623</u>	<u>\$ 2,930,216</u>	<u>\$ 3,169,677</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 52,297	\$ 57,835	\$ 56,125	\$ 71,659
Contributions - employee	39,364	41,143	40,171	44,088
Net investment income	146,739	3,951	179,309	388,379
Benefit payments, including refunds of employee contributions	(124,545)	(124,545)	(124,545)	(124,545)
Administrative expense	(1,533)	(2,407)	(2,026)	(2,013)
Other	(126)	(119)	(109)	(102)
Net Change in Plan Fiduciary Net Position	<u>112,196</u>	<u>(24,142)</u>	<u>148,925</u>	<u>377,466</u>
Beginning plan fiduciary net position	<u>2,565,939</u>	<u>2,678,135</u>	<u>2,653,993</u>	<u>2,802,918</u>
Ending Plan Fiduciary Net Position	<u>\$ 2,678,135</u>	<u>\$ 2,653,993</u>	<u>\$ 2,802,918</u>	<u>\$ 3,180,384</u>
Net Pension Liability (Asset)	<u>\$ (161,887)</u>	<u>\$ 92,630</u>	<u>\$ 127,298</u>	<u>\$ (10,707)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	106.43%	96.63%	95.66%	100.34%
Covered Employee Payroll	\$ 562,339	\$ 587,753	\$ 573,870	\$ 629,828
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-28.79%	15.76%	22.18%	-1.70%

*Only four years of information is currently available. The City will build this schedule over the next eight-year period.

CITY OF BUNKER HILL VILLAGE, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2018

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 52,297	\$ 57,835	\$ 56,125	\$ 71,675
Contributions in relation to the actuarially determined contribution	52,297	57,835	56,125	71,675
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 562,337	\$ 587,754	\$ 573,874	\$ 629,832
Contributions as a percentage of covered employee payroll	9.30%	9.84%	9.78%	11.38%

*Only five years of information is currently available. The City will build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

2018

\$ 69,773

69,773

\$ -

\$ 643,066

10.85%

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CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFIT FUND (TMRS SDBF)
For the Year Ended December 31, 2018

	Measurement Year* 2017
Total OPEB Liability	
Service cost	\$ 1,134
Interest (on the total OPEB liability)	1,079
Changes in assumptions	2,136
Benefit payments	(315)
Net Change in Total OPEB Liability	4,034
Beginning total OPEB liability	28,135
Ending Total OPEB Liability	\$ 32,169
 Covered Employee Payroll	 \$ 629,828
 Total OPEB Liability as a Percentage of Covered Payroll	 5.11%

* Only one year of information is currently available. The City will continue to build this schedule over the next nine-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January,

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

There were no benefit changes during the year.

The only change of assumptions was the annual change in the municipal bond index rate. The discount rate used in the development of the total OPEB liability was 3.31% as of December 31, 2017 compared to 3.78% as of December 31, 2016.

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COMBINING STATEMENTS AND SCHEDULES

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CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2018

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 1,711,070	\$ 1,711,070	\$ 1,799,993	\$ 88,923
Interest on investments	4,000	4,000	3,573	(427)
Total Revenues	1,715,070	1,715,070	1,803,566	88,496
<u>Expenditures</u>				
Debt Service:				
Principal	1,515,000	1,515,000	1,515,000	-
Interest and fiscal charges	295,059	295,059	292,561	2,498
Total Expenditures	1,810,059	1,810,059	1,807,561	2,498
Net Change in Fund Balance	\$ (94,989)	\$ (94,989)	(3,995)	\$ 90,994
Beginning fund balance			359,222	
		Ending Fund Balance	\$ 355,227	

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

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Special Revenue		Total Governmental Funds
	Metro	Restricted Court	
<u>Assets</u>			
Cash and cash equivalents	\$ 442,702	\$ 16,161	\$ 458,863
Total Assets	\$ 442,702	\$ 16,161	\$ 458,863
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 2,645	\$ -	\$ 2,645
Total Liabilities	2,645	-	2,645
<u>Fund Balances</u>			
Restricted:			
Metro	440,057	-	440,057
Enabling legislation	-	16,161	16,161
Total Fund Balances	440,057	16,161	456,218
Total Liabilities and Fund Balances	\$ 442,702	\$ 16,161	\$ 458,863

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	<u>Special Revenue</u>		<u>Total Governmental Funds</u>
	<u>Metro</u>	<u>Restricted Court</u>	
Revenues			
Fines and forfeitures	\$ -	\$ 11,409	\$ 11,409
Intergovernmental	134,000	-	134,000
Investment income	2,503	310	2,813
Total Revenues	<u>136,503</u>	<u>11,719</u>	<u>148,222</u>
Expenditures			
Current:			
Public safety	-	38,403	38,403
Public works	76,591	-	76,591
Capital outlay	23,152	-	23,152
Total Expenditures	<u>99,743</u>	<u>38,403</u>	<u>138,146</u>
Net Change in Fund Balances	36,760	(26,684)	10,076
Beginning fund balances	<u>403,297</u>	<u>42,845</u>	<u>446,142</u>
Ending Fund Balances	<u>\$ 440,057</u>	<u>\$ 16,161</u>	<u>\$ 456,218</u>

See Notes to Financial Statements.

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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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 134,000	\$ 134,000	\$ 134,000	\$ -
Investment Income	2,000	2,000	2,503	503
Total Revenues	<u>136,000</u>	<u>136,000</u>	<u>136,503</u>	<u>503</u>
Expenditures				
Public works	136,000	112,848	76,591	36,257
Capital outlay	-	23,152	23,152	-
Total Expenditures	<u>136,000</u>	<u>136,000</u>	<u>99,743</u>	<u>36,257</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	36,760	<u>\$ 36,760</u>
Beginning fund balance			<u>403,297</u>	
			<u>Ending Fund Balance</u>	<u>\$ 440,057</u>

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, EXPENSES, AND CHANGES

IN NET POSITION - BUDGET AND ACTUAL

UTILITY FUND

For the Year Ended December 31, 2018

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
<u>Operating Revenues</u>				
Water service	\$ 1,803,500	\$ 1,803,500	\$ 2,070,819	\$ 267,319
Waste water service	606,000	606,000	655,747	49,747
Solid waste service	600,000	600,000	581,298	(18,702)
Other/reserves	1,750	1,750	132,557	130,807
Total Operating Revenues	3,011,250	3,011,250	3,440,421	429,171
<u>Operating Expenses</u>				
Personal services	543,430	512,506	535,977	(23,471)
Contractual and professional services	173,725	105,737	74,432	31,305
Repairs and maintenance	97,000	153,986	138,986	15,000
Insurance	13,380	13,380	13,267	113
Utilities	95,000	82,231	81,225	1,006
Water purchase	644,000	803,909	758,489	45,420
Waste water treatment	235,950	141,950	141,628	322
Sanitation	549,100	549,100	400,015	149,085
Other	2,709,665	2,698,451	360,774	2,337,677
Depreciation	-	-	386,901	(386,901)
Total Operating Expenses	5,061,250	5,061,250	2,891,694	2,169,556
Operating Income (Loss)	(2,050,000)	(2,050,000)	548,727	2,598,727
<u>Nonoperating Revenue (Expense)</u>				
Investment earnings	20,000	20,000	19,616	(384)
Net Change in Net Position	\$ (2,030,000)	\$ (2,030,000)	568,343	\$ 2,598,343
Beginning net position			9,459,685	
Ending Net Position			\$ 10,028,028	

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