

ANNUAL FINANCIAL REPORT

of the

**CITY OF
BUNKER HILL VILLAGE, TEXAS**

**For the Year Ended
December 31, 2021**

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CITY OF BUNKER HILL VILLAGE, TEXAS

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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, schedules of changes in net pension and total other postemployment benefits 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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
March 30, 2022

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

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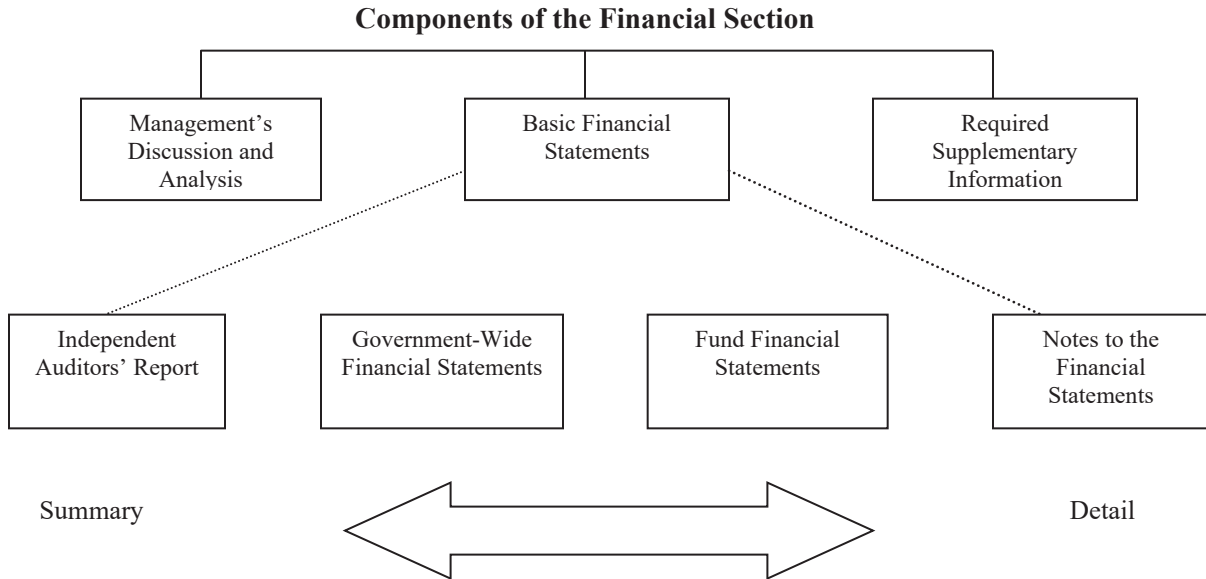
CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Bunker Hill Village, Texas (the "City") for the year ended December 31, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE STATEMENTS

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

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

CITY OF BUNKER HILL VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

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 seven 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, restricted court fund, the fuel station fund, and the offsite tree program 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, 2021

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 two enterprise funds to account for its water and wastewater operations and solid waste operations. The proprietary funds provide separate information for the water and wastewater operations and the solid waste operations. 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 schedules 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 \$33,682,527 as of year end.

A portion of the City's net position, 75%, reflects its investment in capital assets (e.g., land, facilities, infrastructure), 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. The City's net investments in capital assets reported \$25,313,669 at the end of the fiscal year which was an increase of \$2,409,430 from prior year. This increase in net investment in capital assets is primarily due to an increase in capital additions for the City's water and wastewater fund from funds provided by the City's general fund which was assigned for capital projects in the prior year.

CITY OF BUNKER HILL VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 15,742,527	\$ 7,460,033	\$ 23,202,560	\$ 11,336,309	\$ 3,884,551	\$ 15,220,860
Noncurrent assets	22,166,022	9,450,634	31,616,656	22,727,627	7,320,374	30,048,001
Total Assets	37,908,549	16,910,667	54,819,216	34,063,936	11,204,925	45,268,861
Deferred Outflows of Resources						
Deferred charge on refunding	20,307	-	20,307	22,758	-	22,758
Deferred outflows - pensions	44,162	63,459	107,621	49,140	70,629	119,769
Deferred outflows - OPEB	6,461	-	6,461	4,004	-	4,004
Total Deferred Outflows of Resources	70,930	63,459	134,389	75,902	70,629	146,531
Liabilities						
Long-term liabilities	8,188,284	5,381,361	13,569,645	7,170,985	8,190	7,179,175
Other liabilities	719,270	416,196	1,135,466	184,692	184,713	369,405
Total Liabilities	8,907,554	5,797,557	14,705,111	7,355,677	192,903	7,548,580
Deferred Inflows of Resources						
Deferred inflows - pensions	40,991	59,307	100,298	56,212	81,228	137,440
Deferred inflows - OPEB	4,999	-	4,999	7,132	-	7,132
Unavailable revenue - property taxes	6,460,670	-	6,460,670	6,126,100	-	6,126,100
Total Deferred Inflows of Resources	6,506,660	59,307	6,565,967	6,189,444	81,228	6,270,672
Net Position						
Net investment in capital assets	15,914,582	9,399,087	25,313,669	15,598,352	7,305,887	22,904,239
Restricted	711,693	-	711,693	821,632	-	821,632
Unrestricted	5,938,990	1,718,175	7,657,165	4,174,733	3,695,536	7,870,269
Total Net Position	\$ 22,565,265	\$ 11,117,262	\$ 33,682,527	\$ 20,594,717	\$ 11,001,423	\$ 31,596,140

A portion of the City's net position, \$711,693, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position, \$7,657,165, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$2,086,387 or 7% during the current fiscal year. Current assets increased primarily due to funds from unearned revenue \$487,519 and from issuance of debt for future capital projects that primarily remained unspent at the end of the fiscal year. Long-term liabilities increased which is mainly due to an increase from debt issuance of \$7,070,000 net of a decrease from scheduled principal debt payments of \$910,000. Other liabilities include increases in accounts payable and other current liabilities primarily due to construction cost and an increase in unearned revenue from grant awards to be used as reimbursable cost and recognized as revenue in future years.

CITY OF BUNKER HILL VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

Statement of Activities

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

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 718,258	\$ 3,247,695	\$ 3,965,953	\$ 556,053	\$ 3,607,590	\$ 4,163,643
Operating grants and contributions	134,000	-	134,000	328,408	-	328,408
Capital grants and contributions	-	-	-	-	135,000	135,000
General revenues:						
Property taxes	6,214,742	-	6,214,742	6,252,728	-	6,252,728
Sales taxes	222,471	-	222,471	202,178	-	202,178
Franchise fees and local taxes	267,400	-	267,400	246,368	-	246,368
Interest	62,160	-	62,160	64,047	-	64,047
Other	250,655	76,864	327,519	188,539	9,906	198,445
Total Revenues	7,869,686	3,226,335	11,096,021	7,838,321	3,752,496	11,590,817
Expenses						
General government	943,981	-	943,981	1,302,460	-	1,302,460
Public safety	3,441,441	-	3,441,441	3,345,855	-	3,345,855
Public works	1,161,799	-	1,161,799	1,205,473	-	1,205,473
Public services	151,875	-	151,875	85,221	-	85,221
Interest and fiscal charges	249,569	-	249,569	161,936	-	161,936
Water, wastewater, and solid waste	-	3,060,969	3,060,969	-	3,228,122	3,228,122
Total Expenses	5,948,665	3,060,969	9,009,634	6,100,945	3,228,122	9,329,067
Increase in Net Position before Transfers	1,921,021	165,366	2,086,387	1,737,376	524,374	2,261,750
Transfers	49,527	(49,527)	-	414,321	(414,321)	-
Change in Net Position	1,970,548	115,839	2,086,387	2,151,697	110,053	2,261,750
Beginning net position	20,594,717	11,001,423	31,596,140	18,443,020	10,891,370	29,334,390
Ending Net Position	\$ 22,565,265	\$ 11,117,262	\$ 33,682,527	\$ 20,594,717	\$ 11,001,423	\$ 31,596,140

Current year revenues for the governmental activities remained consistent with prior year which increased \$62,116. Governmental expenses decreased by \$152,280 compared to the prior year which included a significant decrease in general government expenses of \$358,479 primarily from less maintenance cost for City facilities. There was an overall increase in other governmental expenses of \$206,199 which was primarily due to an increase in public services for fuel cost and increase in interest and fiscal charges from debt issuance cost.

Revenues for business-type activities decreased by \$526,161. This significant decrease was due to less charges for services for water and wastewater along with capital contributions received in prior year. Expenses decreased \$167,153 primarily from more disposable capital assets in prior year.

CITY OF BUNKER HILL VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

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 \$8,485,872. Of this, \$5,698 is nonspendable for inventories, \$509,580 is restricted for Metro, \$177,631 is restricted for debt service, \$24,482 is restricted for enabling legislation, and \$1,938,024 is restricted for drainage detention projects. The City has assigned \$305,887 for emergency purposes, \$2,174,419 for capital projects uses, \$27,156 for vehicles, \$195,000 for facilities, \$324,127 for the police department, \$143,171 for the offsite tree program and \$21,529 for public services. The City has unassigned fund balance of \$2,639,168.

Overall, there was an increase in combined fund balance of \$3,562,676 in comparison to the prior year. The increase is primarily due to an increase from the issuance of the series 2021 certificates of obligation.

The general fund balance for the year was \$3,491,338 which was a slight increase of prior year fund balance of \$3,533,992. The net change in general fund balance included a revenues in excess of expenditures of \$1,843,781 and transfers to assign funds for the capital projects fund of \$1,886,435.

The debt service fund had a net decrease in fund balance for the year of \$111,970. The planned decrease is due to debt service payments in excess of property tax revenues.

The capital projects fund had an increase in fund balance of \$3,544,871 related to transfers from the general fund for various capital projects and proceeds from debt issuances net of expenditures in excess of revenues.

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

Budgeted revenues exceeded actual general fund revenues by \$445,873 during the year. This net variance is largely due to other revenue being less than anticipated. An amount for intergovernmental revenue was budgeted for, but was unused during the year, the balance will be used in fiscal year 2022. General fund expenditures were less than the final budget by \$165,749.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$31,555,891 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the year included the following:

- Completion of construction in progress project for the Kilt, Warrenton, Valley Star, Gessner project - \$3,133,269
- Water well #5 - \$2,103,241
- Recoat water plant #2 - \$358,958

CITY OF BUNKER HILL VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

- Asphalt rehabilitation at Memorial and Bunker Hill Road - \$118,394
- Booster pumps for water plant #2 - \$95,942
- Taylor Crest Court replacement water line - \$75,290
- 7.5-ton American standard condenser - \$8,249

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

LONG-TERM DEBT

At the end of the year, the City had a total of \$13,569,827 in long-term liabilities. This balance consists of outstanding bonds, net pension and total OPEB liability/(asset), and compensated absences for governmental and business-type activities. The City had general obligation bonds outstanding of \$5,485,000 from prior year issuances and certificates of obligation outstanding of \$7,070,000 which was issued in this fiscal year.

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 redevelopments and will continue to focus on maintaining an even balance within City limits.

The City adopted a \$6,940,916 general fund budget for fiscal year 2022, which is an increase of \$119,613 compared to the 2021 amended 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 Director of Finance, 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,812,993	\$ 6,747,357	\$ 17,560,350
Restricted cash and cash equivalents	-	11,900	11,900
Cash with agent	1,212,268	-	1,212,268
Inventories	5,698	-	5,698
Receivables, net	3,711,568	631,854	4,343,422
Prepaid expenses	-	68,922	68,922
	15,742,527	7,460,033	23,202,560
Noncurrent assets:			
Net pension asset	25,609	35,156	60,765
Nondepreciable capital assets	277,620	2,462,329	2,739,949
Net depreciable capital assets	21,862,793	6,953,149	28,815,942
	22,166,022	9,450,634	31,616,656
Total Assets	37,908,549	16,910,667	54,819,216
Deferred Outflows of Resources			
Deferred charge on refunding	20,307	-	20,307
Deferred outflows - pensions	44,162	63,459	107,621
Deferred outflows - OPEB	6,461	-	6,461
Total Deferred Outflows of Resources	70,930	63,459	134,389
Liabilities			
Accounts payable and other current liabilities	141,963	377,763	519,726
Accrued interest payable	57,715	26,533	84,248
Total OPEB liability	32,073	-	32,073
Unearned revenue	487,519	-	487,519
Customer deposits	-	11,900	11,900
	719,270	416,196	1,135,466
Noncurrent liabilities:			
Long-term liabilities due within one year	1,026,151	6,282	1,032,433
Long-term liabilities due in more than one year	7,162,133	5,375,079	12,537,212
	8,188,284	5,381,361	13,569,645
Total Liabilities	8,907,554	5,797,557	14,705,111
Deferred Inflows of Resources			
Deferred inflows - pensions	40,991	59,307	100,298
Deferred inflows - OPEB	4,999	-	4,999
Unavailable revenue - property taxes	6,460,670	-	6,460,670
Total Deferred Inflows of Resources	6,506,660	59,307	6,565,967
Net Position			
Net investment in capital assets	15,914,582	9,399,087	25,313,669
Restricted for:			
Debt service	177,631	-	177,631
Metro	509,580	-	509,580
Enabling legislation	24,482	-	24,482
Unrestricted	5,938,990	1,718,175	7,657,165
Total Net Position	\$ 22,565,265	\$ 11,117,262	\$ 33,682,527

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities			
General government	\$ 943,981	\$ 523,172	\$ -
Public safety	3,441,441	15,984	-
Public works	1,161,799	-	134,000
Public services	151,875	179,102	-
Interest and fiscal charges	249,569	-	-
Total Governmental Activities	5,948,665	718,258	134,000
Business-Type Activities			
Water, wastewater, and solid waste	3,060,969	3,247,695	-
Total Business-Type Activities	3,060,969	554,386	-
Total Primary Government	\$ 9,009,634	\$ 3,391,883	\$ 134,000

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise fees and local taxes

Investment income

Bond proceeds

Other

Transfers in (out)

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**

Governmental Activities	Business-Type Activities	Total
\$ (420,809)	\$ -	\$ (420,809)
(3,425,457)	-	(3,425,457)
(1,027,799)	-	(1,027,799)
27,227	-	27,227
(249,569)	-	(249,569)
<u>(5,096,407)</u>	<u>-</u>	<u>(5,096,407)</u>
-	186,726	186,726
-	186,726	186,726
<u>(5,096,407)</u>	<u>186,726</u>	<u>(4,909,681)</u>
6,214,742	-	6,214,742
222,471	-	222,471
267,400	-	267,400
62,160	-	62,160
-	(98,224)	(98,224)
250,655	76,864	327,519
49,527	(49,527)	-
<u>7,066,955</u>	<u>(70,887)</u>	<u>6,996,068</u>
1,970,548	115,839	2,086,387
20,594,717	11,001,423	31,596,140
<u>\$ 22,565,265</u>	<u>\$ 11,117,262</u>	<u>\$ 33,682,527</u>

CITY OF BUNKER HILL VILLAGE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2021

	General	Debt Service	Capital Projects	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 5,426,384	\$ 487,303	\$ 4,212,519	\$ 686,787
Cash with agent	1,002,170	210,098	-	-
Inventories	-	-	-	5,698
Receivables, net	3,046,131	651,993	-	13,444
Total Assets	\$ 9,474,685	\$ 1,349,394	\$ 4,212,519	\$ 705,929
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 40,416	\$ -	\$ 100,076	\$ 1,469
Unearned revenue	487,519	-	-	-
Total Liabilities	527,935	-	100,076	1,469
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	5,455,412	1,171,763	-	-
Total Deferred Inflows of Resources	5,455,412	1,171,763	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventories	-	-	-	5,698
Restricted:				
Debt service	-	177,631	-	-
Metro	-	-	-	509,580
Enabling legislation	-	-	-	24,482
Drainage detention projects	-	-	1,938,024	-
Assigned				
Capital projects	-	-	2,174,419	-
Emergency	305,887	-	-	-
Vehicles and technology	27,156	-	-	-
Facilities	195,000	-	-	-
Police department	324,127	-	-	-
Offsite tree program	-	-	-	143,171
Public services	-	-	-	21,529
Unassigned	2,639,168	-	-	-
Total Fund Balances	3,491,338	177,631	4,112,443	704,460
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,474,685	\$ 1,349,394	\$ 4,212,519	\$ 705,929

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 10,812,993
1,212,268
5,698
3,711,568
\$ 15,742,527

\$ 141,961
487,519
629,480

6,627,175
6,627,175

5,698

177,631
509,580
24,482
1,938,024

2,174,419
305,887
27,156
195,000
324,127
143,171
21,529
2,639,168

8,485,872

\$ 15,742,527

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CITY OF BUNKER HILL VILLAGE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2021

Total fund balances for the governmental funds	\$ 8,485,872
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	277,620
Depreciable capital assets	31,474,022
Accumulated depreciation	(9,611,229)
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 (asset)	25,609
Total OPEB liability	(32,073)
Deferred outflows - pensions	44,162
Deferred inflows - pensions	(40,991)
Deferred outflows - OPEB	6,461
Deferred inflows - OPEB	(4,999)
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	166,503
Some liabilities, including bonds payable and accrued interest payable, are not reported as liabilities in the governmental funds.	
Accrued interest payable	(57,715)
Deferred charge on refunding	20,307
Long-term liabilities due within one year	(1,026,151)
Long-term liabilities due in more than one year	(7,162,133)
Net Position of Governmental Activities	\$ 22,565,265

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, 2021

<u>Revenues</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>
Property taxes	\$ 5,165,343	\$ 1,039,163	\$ -	\$ -
Sales taxes	222,471	-	-	-
Charges for services	15,984	-	-	179,102
Franchise fees and local taxes	267,400	-	-	-
Fines and forfeitures	60,053	-	-	6,455
Licenses and permits	456,664	-	-	-
Investment income	61,860	300	-	-
Intergovernmental	-	-	-	134,000
Other	125,655	-	-	125,000
Total Revenues	<u>6,375,430</u>	<u>1,039,463</u>	<u>-</u>	<u>444,557</u>
 Expenditures				
Current:				
General government	787,151	-	-	25,265
Public safety	3,433,687	-	-	7,754
Public works	302,562	-	-	130,670
Public services	-	-	-	151,875
Debt service:				
Principal	-	910,000	-	-
Interest and fiscal charges	-	290,960	29,832	-
Capital outlay	8,249	-	299,124	-
Total Expenditures	<u>4,531,649</u>	<u>1,200,960</u>	<u>328,956</u>	<u>315,564</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>1,843,781</u>	<u>(161,497)</u>	<u>(328,956)</u>	<u>128,993</u>
 Other Financing Sources (Uses)				
Bond proceeds	-	-	1,875,000	-
Bond premiums	-	-	155,828	-
Transfers in	-	49,527	1,842,999	43,436
Transfers (out)	(1,886,435)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,886,435)</u>	<u>49,527</u>	<u>3,873,827</u>	<u>43,436</u>
 Net Change in Fund Balances				
	(42,654)	(111,970)	3,544,871	172,429
 Beginning fund balances				
	<u>3,533,992</u>	<u>289,601</u>	<u>567,572</u>	<u>532,031</u>
 Ending Fund Balances				
	<u>\$ 3,491,338</u>	<u>\$ 177,631</u>	<u>\$ 4,112,443</u>	<u>\$ 704,460</u>

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	6,204,506
	222,471
	195,086
	267,400
	66,508
	456,664
	62,160
	134,000
	250,655
	<u>7,859,450</u>

	812,416
	3,441,441
	433,232
	151,875

	910,000
	320,792
	307,373
	<u>6,377,129</u>

	<u>1,482,321</u>
--	------------------

	1,875,000
	155,828
	1,935,962
	<u>(1,886,435)</u>
	<u>2,080,355</u>

	3,562,676
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	<u>4,923,196</u>
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\$	<u><u>8,485,872</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, 2021

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

Net changes in fund balances - total governmental funds	\$	3,562,676
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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		178,749
Depreciation expense		(754,707)

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		10,236
--------------------------------	--	--------

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

Net pension (asset)		14,351
Total OPEB liability		(5,213)
Deferred outflows - pensions		(4,978)
Deferred outflows - OPEB		2,457
Deferred inflows - pensions		15,221
Deferred inflows - OPEB		2,133

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, net of refunding bonds issued		(965,000)
Amortization of premium		(78,387)
Amortization of deferred loss on refunding		(2,451)
Accrued interest expense		(3,767)

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		(772)
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Change in Net Position of Governmental Activities	\$	1,970,548
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See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2021

	Business-Type Activities		
	Water/ Wastewater	Solid Waste	Total Enterprise
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 6,617,304	\$ 130,053	\$ 6,747,357
Restricted cash and cash equivalents	11,900	-	11,900
Receivables, net	528,077	103,777	631,854
Prepaid items	68,922	-	68,922
Total Current Assets	7,226,203	233,830	7,460,033
Noncurrent Assets			
Net pension asset	35,156	-	35,156
Capital assets:			
Land	144,163	-	144,163
Construction in progress	2,318,166	-	2,318,166
Building	2,192,373	-	2,192,373
Infrastructure	12,941,367	-	12,941,367
Water rights	446,890	-	446,890
Machinery and equipment	374,603	-	374,603
Less accumulated depreciation	(9,002,084)	-	(9,002,084)
Total Net Depreciable Assets	6,988,305	-	6,988,305
Total Noncurrent Assets	9,450,634	-	9,450,634
Total Assets	16,676,837	233,830	16,910,667
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	63,459	-	63,459
Total Deferred Outflows of Resources	63,459	-	63,459
<u>Liabilities</u>			
Current Liabilities			
Accounts payable and accrued liabilities	297,256	80,507	377,763
Accrued interest payable	26,533	-	26,533
Customer deposits	11,900	-	11,900
Compensated absences	6,282	-	6,282
Total Current Liabilities	341,971	80,507	422,478
Noncurrent Liabilities			
Bonds payable, net of premium	5,374,381	-	5,374,381
Compensated absences	698	-	698
Total Noncurrent Liabilities	5,375,079	-	5,375,079
Total Liabilities	5,717,050	80,507	5,797,557
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	59,307	-	59,307
<u>Net Position</u>			
Net investment in capital assets	9,415,478	-	9,415,478
Unrestricted	1,548,461	153,323	1,701,784
Total Net Position	\$ 10,963,939	\$ 153,323	\$ 11,117,262

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

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

For the Year Ended December 31, 2021

	Business-Type Activities		
	Water/ Wastewater	Solid Waste	Total Enterprise
<u>Operating Revenues</u>			
Water and wastewater charges	\$ 2,765,403	\$ -	2,765,403
Solid waste fees	-	482,292	482,292
Other	72,094	-	72,094
Total Operating Revenues	2,837,497	482,292	3,319,789
<u>Operating Expenses</u>			
Water and wastewater	2,115,374	-	2,115,374
Sanitation	-	496,646	496,646
Depreciation	448,949	-	448,949
Total Operating Expenses	2,564,323	496,646	3,060,969
Operating Income(Loss)	273,174	(14,354)	258,820
<u>Nonoperating Revenues</u>			
Interest and fiscal charges	(98,224)	-	(98,224)
Gain on sale of capital assets	4,770	-	4,770
Total Nonoperating Revenues	(93,454)	-	(93,454)
<u>Contributions and Transfers</u>			
Transfers (out)	(49,527)	-	(49,527)
Total Contributions and Transfers	(49,527)	-	(49,527)
Change in Net Position	130,193	(14,354)	115,839
Beginning net position	10,833,746	167,677	11,001,423
Ending Net Position	\$ 10,963,939	\$ 153,323	11,117,262

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended December 31, 2021

	Business-Type Activities		
	Water/ Wastewater	Solid Waste	Total Enterprise
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 2,850,770	\$ 52,770	\$ 2,903,540
Payments to suppliers	(1,443,509)	-	(1,443,509)
Payments to employees	(645,654)	-	(645,654)
Net Cash Provided by Operating Activities	761,607	52,770	814,377
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	-	-	-
Transfers (out)	(49,527)	-	(49,527)
Net Cash (Used) by Noncapital Financing Activities	(49,527)	-	(49,527)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(2,558,540)	-	(2,558,540)
Cash from sale of capital assets	4,770	-	4,770
Proceeds from issuance of debt	5,383,350	-	5,383,350
Interest payment	(80,660)	-	(80,660)
Net Cash Provided by Capital and Related Financing Activities	2,748,920	-	2,748,920
Net Increase in Cash and Cash Equivalents	3,461,000	52,770	3,513,770
Beginning cash and cash equivalents	3,168,204	77,283	3,245,487
Ending Cash and Cash Equivalents	\$ 6,629,204	\$ 130,053	\$ 6,759,257
Ending Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	\$ 6,617,304	\$ 130,053	\$ 6,747,357
Restricted cash and cash equivalents	11,900	-	11,900
	\$ 6,629,204	\$ 130,053	\$ 6,759,257
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 273,174	\$ (14,354)	\$ 258,820
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	448,949	-	448,949
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	13,273	(7,949)	5,324
Prepaid items	(67,036)	-	(67,036)
Net pension asset	(20,669)	-	(20,669)
Deferred outflows - pensions	7,170	-	7,170
Increase (Decrease) in:			
Accounts payable and accrued liabilities	133,077	75,073	208,150
Customer deposits	(3,200)	-	(3,200)
Compensated absences	(1,210)	-	(1,210)
Deferred inflows - pensions	(21,921)	-	(21,921)
Net Cash Provided by Operating Activities	\$ 761,607	\$ 52,770	\$ 814,377

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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 “State”). 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), planning and development; municipal court, planning and development; public works to include streets and drainage, water, and wastewater services; solid waste collection and disposal; and general administration.

The City is an independent political subdivision of the State 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.

The City participates in an interlocal cooperation agreement with other contracting cities to receive public safety services from the Village Fire Department and the Memorial Villages Police Department. The City has no significant influence over the administration or operation of these entities.

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, 2021

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 funds:

The *enterprise funds* are 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 water/wastewater fund is considered a major fund for reporting purposes. The solid waste fund is considered a nonmajor fund for reporting purposes but the City has elected to present as major due to its significance.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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 funds) 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 for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and is reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

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, 2021

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 wastewater system	20-65 years
Infrastructure	50-65 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- 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.
- Unavailable revenue is related to property taxes levied for the subsequent budget year.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues 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, 2021

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 wastewater 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).

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

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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 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' fiduciary net position have been determined 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 accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term 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, 2021, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water/ Wastewater</u>	<u>Solid Waste</u>
Property taxes	\$ 2,976,215	\$ 651,993	\$ -	\$ -	\$ -
Sales taxes	48,853	-	-	-	-
Accounts	-	-	-	545,623	106,900
Franchise fees	21,063	-	-	-	-
Allowance	-	-	-	(17,546)	(3,123)
Miscellaneous	-	-	13,444	-	-
Totals	<u>\$ 3,046,131</u>	<u>\$ 651,993</u>	<u>\$ 13,444</u>	<u>\$ 528,077</u>	<u>\$ 103,777</u>

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

C. Capital Assets

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

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 24,944	\$ -	\$ -	\$ 24,944
Construction in progress	2,605,473	262,067	(2,614,864)	252,676
Total capital assets, not being depreciated	2,630,417	262,067	(2,614,864)	277,620
Other capital assets:				
Infrastructure	28,262,192	2,614,864	-	30,877,056
Buildings	439,070	8,249	(16,000)	431,319
Vehicles and equipment	165,647	-	-	165,647
Total other capital assets	28,866,909	2,623,113	(16,000)	31,474,022
Less accumulated depreciation for:				
Infrastructure	(8,479,671)	(820,130)	-	(9,299,801)
Buildings	(175,491)	(11,305)	16,000	(170,796)
Vehicles and equipment	(125,795)	(14,835)	-	(140,632)
Total accumulated depreciation	(8,780,957)	(846,270)	16,000	(9,611,229)
Other capital assets, net	20,085,952	1,776,843	-	21,862,793
Total Governmental Activities Capital Assets, Net	\$ 22,716,369	\$ 2,038,910	\$ (2,614,864)	22,140,413
			Less associated debt	(8,184,162)
			Plus deferred loss on refunding	20,307
			Unspent debt proceeds for drainage detention projects	1,938,024
			Net investment in Capital Assets	\$ 15,914,582

Depreciation was charged to governmental functions as follows:

General government	\$ 26,140
Public works	820,130
Total Governmental Activities Depreciation Expense	\$ 846,270

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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	\$ 144,163	\$ -	\$ -	\$ 144,163
Construction in progress	926,616	2,558,540	(1,166,990)	2,318,166
Total capital assets, not being depreciated	1,070,779	2,558,540	(1,166,990)	2,462,329
Other capital assets:				
Buildings	2,192,373	-	-	2,192,373
Water rights	446,890	-	-	446,890
Machinery and equipment	389,656	-	(15,053)	374,603
Infrastructure	11,774,376	1,166,990	-	12,941,367
Total other capital assets	14,803,295	1,166,990	(15,053)	15,955,233
Less accumulated depreciation for:				
Buildings	(1,087,049)	(25,808)	-	(1,112,857)
Water rights	(446,890)	-	-	(446,890)
Machinery and equipment	(224,370)	(20,863)	15,053	(230,180)
Infrastructure	(6,809,878)	(402,278)	-	(7,212,157)
Total accumulated depreciation	(8,568,187)	(448,949)	15,053	(9,002,084)
Other capital assets, net	6,235,108	718,041	-	6,953,149
Total Business-Type Activities				
Capital Assets, Net	\$ 7,305,887	\$ 3,276,581	\$ (1,166,990)	\$ 9,415,478
			Less associated debt	(5,374,381)
			Unspent debt proceeds for wells and waterline transit projects	5,357,990
			Net investment in Capital Assets	\$ 9,399,087

Depreciation was charged to business-type functions as follows:

Water and wastewater	\$ 448,949
Total Business-Type Activities Depreciation Expense	\$ 448,949

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

D. Long-Term Debt

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds, notes and other payables:					
General obligation bonds	\$ 6,395,000	\$ -	\$ (910,000)	\$ 5,485,000	* \$ 945,000
Certificates of obligation	-	1,875,000	-	1,875,000	-
Premium	745,775	155,828	(77,441)	824,162	* 77,441
Compensated absences	3,350	13,006	(12,234)	4,122	3,710
Net pension (asset)	(11,258)	-	(14,351)	(25,609)	-
Total OPEB liability	26,860	5,213	-	32,073	-
Total Governmental Activities	\$ 7,159,727	\$ 2,049,047	\$ (1,014,026)	\$ 8,194,748	\$ 1,026,151
			Long-term debt due in more than one year	\$ 7,194,206	
			*Debt associated with governmental activities capital assets	\$ 8,184,162	
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
Bonds, notes and other payables:					
Certificates of obligation	\$ -	\$ 5,195,000	\$ -	\$ 5,195,000	* \$ -
Premium	-	188,350	(8,969)	179,381	-
Compensated absences	8,190	22,055	(23,265)	6,980	6,282
Net pension (asset)	(14,487)	-	(20,669)	(35,156)	-
Total Business-Type Activities	\$ (6,297)	\$ 5,405,405	\$ (52,903)	\$ 5,346,205	\$ 6,282
			Long-term liabilities due in more than one year	\$ 5,375,079	
			*Debt associated with business-type activities capital assets	\$ 5,374,381	

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.

On April 13, 2021, the City issued \$7,070,000 in combination tax and revenue certificates of obligation, series 2021 (the "Certificates"). The proceeds from the sale of the Certificates will be used for the construction, improvement, repair, rehabilitation, and equipment of the City's water and sewer system, including a new water well and transmission lines, the construction of drainage and storm water detention improvements, and the costs of professional services in connection therewith. The interest rates on the Certificates are 1.45% to 3.00% and they will mature on April 1, 2031.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
General Obligation Bonds		
Series 2014	2.00-2.75%	\$ 990,000
Series 2020	3.00-4.00%	4,495,000
Certificates of Obligation		
Series 2021	1.45-3.00%	1,875,000
Total Governmental Activities Long-Term Debt		\$ 7,360,000
 <u>Business Type Activities</u>		
Certificates of Obligation		
Series 2021	1.45-3.00%	\$ 5,195,000
Total Business Type Activities Long-Term Debt		\$ 5,195,000

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

Year Ending Dec 31	Governmental Activities - General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 945,000	\$ 182,338	\$ 1,127,338
2023	540,000	156,150	696,150
2024	565,000	137,213	702,213
2025	590,000	116,894	706,894
2026	605,000	95,588	700,588
2027-2031	2,240,000	209,000	2,449,000
Total	\$ 5,485,000	\$ 897,183	\$ 6,382,183

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.

Year Ending Dec 31	Governmental Activities - Certificates of Obligation		
	Principal	Interest	Total
2022	\$ -	\$ 48,525	\$ 48,525
2023	250,000	44,775	294,775
2024	215,000	37,800	252,800
2025	175,000	31,950	206,950
2026	140,000	27,225	167,225
2027-2031	1,095,000	42,338	1,137,338
Total	\$ 1,875,000	\$ 232,613	\$ 2,107,613

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

Year Ending Dec 31	Business Type Activities - Certificates of Obligation		
	Principal	Interest	Total
2022	\$ -	\$ 106,130	\$ 106,130
2023	220,000	102,830	322,830
2024	230,000	96,080	326,080
2025	235,000	89,105	324,105
2026	245,000	81,905	326,905
2027-2031	1,305,000	312,700	1,617,700
2032-2036	1,420,000	203,635	1,623,635
2037-2041	1,540,000	77,710	1,617,710
Total	\$ 5,195,000	\$ 1,070,095	\$ 6,265,095

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.

E. Interfund Transactions

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

Transfers In	Transfers Out	Amounts
General Capital Fund	General Fund	\$ 1,842,999
Debt Service Fund	Utility Fund	49,527
Nonmajor Governmental	General Fund	43,436
		<u>\$ 1,935,962</u>

Amounts transferred between funds related to amounts collected by the general fund, solid waste fund, and utility fund for various capital projects.

F. Restricted Assets

As of December 31, 2021, the City held restricted cash and cash equivalents of \$11,900 in the enterprise fund for customer deposits.

G. Fund Equity

As of December 31, 2021, \$24,482 of the City's total fund balance is restricted by enabling legislation, \$177,631 is restricted for debt service, and \$509,580 is restricted for metro.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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 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.

The continued spread of COVID-19 pandemic has given a rise in uncertainties that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive 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 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:

	2021	2020
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)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5	
Inactive employees entitled to, but not yet receiving, benefits	5	
Active employees	7	
Total	17	

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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 city is determined annually by the actuary using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 10.38 percent and 10.96 percent in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended December 31, 2021 were \$86,236, 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, 2020 and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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,

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

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 TMRS 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.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

Changes in the NPL/(A)

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Changes for the year:			
Service cost	\$ 116,132	\$ -	\$ 116,132
Interest	237,241	-	237,241
Difference between expected and actual experience	(565)	-	(565)
Contributions - employer	-	71,519	(71,519)
Contributions - employee	-	49,179	(49,179)
Net investment income	-	268,936	(268,936)
Benefit payments, including refunds of employee contributions	(122,390)	(122,390)	-
Administrative expense	-	(1,740)	1,740
Other changes	-	(67)	67
Net Changes	230,418	265,437	(35,019)
Balance at December 31, 2019	3,517,805	3,543,550	(25,745)
Balance at December 31, 2020	\$ 3,748,223	\$ 3,808,987	\$ (60,764)

Sensitivity of the NPL 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)	\$ 357,264	\$ (60,765)	\$ (416,392)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended December 31, 2021, the City recognized pension expense of \$24,318.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

At December 31, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 18,179	\$ 378
Changes in actuarial assumptions	5,094	-
Net difference between projected and actual investment earnings	-	99,920
Contributions subsequent to the measurement date	84,347	-
Total	\$ 107,621	\$ 100,298

\$84,347 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the NPL/(A) for the fiscal year ending December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense
2022	\$ (21,246)
2023	9,543
2024	(59,372)
2025	(5,950)
Total	\$ (77,025)

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

D. Other Postemployment Benefits

TMRS Supplemental Death Benefit

Plan Description

The City participates in a defined benefit other postemployment benefit (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 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, 2020 and 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	3
Active employees	7
Total	10

Total OPEB Liability

The City's total OPEB liability of \$32,073 was measured as of December 31, 2020 and 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, 2021

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.5 to 11.5% including inflation
Discount rate	2.0%
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 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 1,827
Interest	760
Differences between expected and actual experiences	(924)
Changes of assumptions	3,831
Benefit payments*	(281)
Net Changes	5,213
Balance at December 31, 2019	26,860
Balance at December 31, 2020	\$ 32,073

* 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 benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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 (1.0%)	Discount Rate (2.0%)	1% Increase in Discount Rate (3.0%)
City's total OPEB liability	\$ 38,333	\$ 32,073	\$ 27,086

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$622.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 5,595	\$ (469)
Difference in expected and actual experience	-	(4,530)
Contributions subsequent to the measurement date	866	-
Total	\$ 6,461	\$ (4,999)

\$866 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, 2022.

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

Year Ended December 31	OPEB Expense
2022	(1,370)
2023	13
2024	1,209
2025	744
2026	-
Total	\$ 596

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan, and makes investment decisions, and disburses funds to employees in accordance with Plan provisions. During the fiscal year, \$36,944 was contributed to the Plan. The Plan has an invested balance of \$172,585 as of December 31, 2021.

F. 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, Texas (Metro). As of December 31, 2020, Metro contributed \$134,000 to the City. Metro is to provide the City annual funding of \$134,000 for eligible transportation projects. In October 2019, the City approved Resolution 10-15-2019, supporting the Metronext Plan and extending the mobility payments through December 2040. This was contingent upon the Metro bond referendum passing, which passed in November 2019.

G. 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.

H. 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.

Memorial Villages Water Authority

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

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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.

The VFD Agreement was amended in December 2019. Effective January 1, 2020, the City is no longer a participating member but considered a customer. As a customer, the City continues receiving fire protection and emergency services from the VFD. The City will remain responsible for 19% of the City assessments charged by the VFD. In addition, the City is to remain responsible for the 19% proportionate share of the VFD’s pension and employee postretirement liabilities. Following the Agreement term, the City may become a participating member. The VFD reports a net position asset of \$117,325 and a total OPEB liability of \$168,209 as of their fiscal year ending December 31, 2020.

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, 2020, on which their auditors expressed an unmodified opinion, is as follows:

	MVPD Total		City's Portion (33%)	
	Net Position	Balance Sheet	Net Position	Balance Sheet
Total assets and deferred outflows	\$ 2,327,853	\$ 674,783	\$ 768,191	\$ 222,678
Total liabilities and deferred inflows	3,872,837	481,258	1,278,036	158,815
Total Participants' Equity	\$ (1,544,984)	\$ 193,525	\$ (509,845)	\$ 63,863
	Change in Net Position	Revenues and Expenditures	Change in Net Position	Revenues and Expenditures
Total revenues	\$ 5,738,694	\$ 5,710,334	\$ 1,893,769	\$ 1,884,410
Total expenditures/expenses	5,894,217	5,770,046	1,945,092	1,904,115
Revenues over expenditures/expenses	(155,523)	(59,712)	(51,323)	(19,705)
Proceeds from sale of assets	-	28,360	-	9,359
Beginning participants' equity	(1,389,461)	224,877	(458,522)	74,209
Ending Participants' Equity	\$ (1,544,984)	\$ 193,525	\$ (509,845)	\$ 63,863

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REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended December 31, 2021

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 5,111,506	\$ 5,156,000	\$ 5,165,343	\$ 9,343
Sales taxes	205,000	215,000	222,471	7,471
Charges for services	15,980	15,984	15,984	-
Franchise fees and local taxes	290,000	256,500	267,400	10,900
Fines and forfeitures	116,620	56,000	60,053	4,053
Licenses and permits	375,250	446,300	456,664	10,364
Investment income	60,000	62,000	61,860	(140)
Other	18,000	613,519	125,655	(487,864)
Total Revenues	6,192,356	6,821,303	6,375,430	(445,873)
Expenditures				
General government	843,033	869,958	787,151	82,807
Public safety	3,384,135	3,458,691	3,433,687	25,004
Public works	362,500	360,500	302,562	57,938
Capital outlay	-	8,249	8,249	-
Total Expenditures	4,589,668	4,697,398	4,531,649	165,749
Excess of Revenues Over Expenditures	1,602,688	2,123,905	1,843,781	(280,124)
Other Financing Sources (Uses)				
Transfers (out)	(1,515,000)	(1,843,000)	(1,886,435)	(43,435)
Total Other Financing (Uses)	(1,515,000)	(1,843,000)	(1,886,435)	(43,435)
Net Change in Fund Balance	\$ 87,688	\$ 280,905	(42,654)	\$ (323,559)
Beginning fund balance			3,533,992	
		Ending Fund Balance	\$ 3,491,338	

Notes to Required Supplementary Information:

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

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, 2021

	Measurement Year*			
	2014	2015	2016	2017
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
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 contributions	(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><u>\$ 2,516,248</u></u>	<u><u>\$ 2,746,623</u></u>	<u><u>\$ 2,930,216</u></u>	<u><u>\$ 3,169,677</u></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><u>\$ 2,678,135</u></u>	<u><u>\$ 2,653,993</u></u>	<u><u>\$ 2,802,918</u></u>	<u><u>\$ 3,180,384</u></u>
Net Pension Liability/(Asset)	<u><u>\$ (161,887)</u></u>	<u><u>\$ 92,630</u></u>	<u><u>\$ 127,298</u></u>	<u><u>\$ (10,707)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)	106.43%	96.63%	95.66%	100.34%
Covered Payroll	\$ 562,339	\$ 587,753	\$ 573,870	\$ 629,828
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-28.79%	15.76%	22.18%	-1.70%

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

Measurement Year*

	2018	2019	2020
\$	107,199	\$ 110,595	\$ 116,132
	213,174	219,295	237,241
	(105,053)	43,428	(565)
	-	12,170	-
	(130,290)	(122,390)	(122,390)
	85,030	263,098	230,418
	3,169,677	3,254,707	3,517,805
\$	3,254,707	\$ 3,517,805	\$ 3,748,223
\$	69,773	\$ 79,978	\$ 71,519
	45,015	46,862	49,179
	(95,245)	474,161	268,936
	(130,290)	(122,390)	(122,390)
	(1,841)	(2,680)	(1,740)
	(97)	(80)	(68)
	(112,685)	475,851	265,436
	3,180,384	3,067,699	3,543,550
\$	3,067,699	\$ 3,543,550	\$ 3,808,986
\$	187,008	\$ (25,745)	\$ (60,763)
	94.25%	100.73%	101.62%
\$	643,067	\$ 669,464	\$ 702,551
	29.08%	-3.85%	-8.65%

CITY OF BUNKER HILL VILLAGE, TEXAS

SCHEDULE OF CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM For the Year Ended December 31, 2021

	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 payroll	\$ 562,337	\$ 587,754	\$ 573,874	\$ 629,832
Contributions as a percentage of covered payroll	9.30%	9.84%	9.78%	11.38%

*Only eight years of information is currently available. The City will build this schedule over the next two-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; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*

2018	2019	2020	2021
\$ 69,773	\$ 78,352	\$ 70,754	84,347
69,773	80,777	71,535	84,347
<u>\$ -</u>	<u>\$ (2,425)</u>	<u>\$ (781)</u>	<u>-</u>
\$ 643,066	\$ 669,672	\$ 695,026	786,822
10.85%	12.06%	10.29%	10.72%

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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 BENEFITS FUND (TMRS SDBF)

For the Year Ended December 31, 2021

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 1,134	\$ 1,350	\$ 1,205	\$ 1,827
Interest (on the total OPEB liability)	1,079	1,082	829	760
Differences between expected and actual experience	-	(10,892)	(446)	(924)
Changes in assumptions	2,136	(1,452)	3,739	3,831
Benefit payments	(315)	(322)	(402)	(281)
Net Change in Total OPEB Liability	4,034	(10,234)	4,925	5,213
Beginning total OPEB liability	28,135	32,169	21,935	26,860
Ending Total OPEB Liability	\$ 32,169	\$ 21,935	\$ 26,860	\$ 32,073
Covered Payroll	\$ 629,828	\$ 643,067	\$ 669,464	\$ 702,551
Total OPEB Liability as a Percentage of Covered	5.11%	3.41%	4.01%	4.57%

* Only four years of information is currently available. The City will continue to build this schedule over the next six-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:

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

Inflation 2.50%

Salary increases 3.50% to 11.50% including inflation

Discount rate 2.00%

Administrative expenses All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.

Mortality - service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality - disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 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, 2020.

There were no benefit changes during the year.

There were no changes of assumptions during the period.

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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, 2021

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 1,012,115	\$ 1,034,000	\$ 1,039,163	\$ 5,163
Interest on investments	-	300	300	-
Total Revenues	1,012,115	1,034,300	1,039,463	5,163
<u>Expenditures</u>				
Debt Service:				
Principal	910,000	910,000	910,000	-
Interest and fiscal charges	312,288	290,960	290,960	-
Total Expenditures	1,222,288	1,200,960	1,200,960	-
(Deficit) Revenues (Under) Expenditures	(210,173)	(166,660)	(161,497)	5,163
<u>Other Financing Sources (Uses)</u>				
Payment to escrow agent	-	(1,500)	-	1,500
Transfers in	95,000	72,227	49,527	(22,700)
Total Other Financing Sources	95,000	70,727	49,527	(21,200)
Net Change in Fund Balance	\$ (115,173)	\$ (95,933)	(111,970)	\$ (16,037)
Beginning fund balance			289,601	
		Ending Fund Balance	\$ 177,631	

Notes to Supplementary Information:

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

CITY OF BUNKER HILL VILLAGE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2021

	Special Revenue			
	Metro	Restricted Court	Fuel Station	Offsite Tree
<u>Assets</u>				
Cash and cash equivalents	\$ 510,548	\$ 24,983	\$ 8,085	\$ 143,171
Inventories	-	-	5,698	-
Accounts receivable	-	-	13,444	-
Total Assets	\$ 510,548	\$ 24,983	\$ 27,227	\$ 143,171
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 968	\$ 501	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventories	-	-	5,698	-
Restricted:				
Metro	509,580	-	-	-
Enabling legislation	-	24,482	-	-
Assigned:				
Offsite tree program	-	-	-	143,171
Public services	-	-	21,529	-
Total Fund Balances	509,580	24,482	27,227	143,171
Total Liabilities and Fund Balances	\$ 510,548	\$ 24,983	\$ 27,227	\$ 143,171

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 686,787
5,698
13,444
\$ 705,929

\$ 1,469

5,698

509,580
24,482

143,171
21,529
704,460

\$ 705,929

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, 2021

Revenues	Special Revenue			
	Metro	Restricted Court	Fuel Station	Offsite Tree
Fines and forfeitures	\$ -	\$ 6,455	\$ -	\$ -
Charges for services	-	-	179,102	-
Intergovernmental	134,000	-	-	-
Miscellaneous income	-	-	-	125,000
Total Revenues	134,000	6,455	179,102	125,000
Expenditures				
Current:				
General government	-	-	-	25,265
Public safety	-	7,754	-	-
Public works	130,670	-	-	-
Public services	-	-	151,875	-
Total Expenditures	130,670	7,754	151,875	25,265
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,330	(1,299)	27,227	99,735
Other Financing Sources				
Transfer in	-	-	-	43,436
Net Change in Fund Balances	3,330	(1,299)	27,227	143,171
Beginning fund balances	506,250	25,781	-	-
Ending Fund Balances	\$ 509,580	\$ 24,482	\$ 27,227	\$ 143,171

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	6,455
	179,102
	134,000
	125,000
	<u>444,557</u>
	25,265
	7,754
	130,670
	151,875
	<u>315,564</u>
	128,993
	<u>43,436</u>
	172,429
	<u>532,031</u>
\$	<u><u>704,460</u></u>

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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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 134,000	\$ 134,000	\$ 134,000	\$ -
Total Revenues	134,000	134,000	134,000	-
<u>Expenditures</u>				
Public works	134,000	158,000	130,670	27,330
Total Expenditures	134,000	158,000	130,670	27,330
Net Change in Fund Balance	\$ -	\$ (24,000)	3,330	\$ 27,330
Beginning fund balance			506,250	
		Ending Fund Balance	\$ 509,580	

Notes to 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

WATER/WASTEWATER FUND (BUDGETARY BASIS)

For the Year Ended December 31, 2021

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
<u>Operating Revenues</u>				
Water service	\$ 2,937,280	\$ 2,859,400	\$ 2,765,403	\$ (93,997)
Other/reserves	300	79,000	72,094	(6,906)
Total Operating Revenues	2,937,580	2,938,400	2,837,497	(100,903)
<u>Operating Expenses</u>				
Water and wastewater	2,180,180	2,230,293	2,115,374	114,919
Depreciation	-	-	448,949	* (448,949)
Total Operating Expenses	2,180,180	2,230,293	2,564,323	(334,030)
Operating Income (Loss)	757,400	708,107	273,174	(434,933)
<u>Nonoperating Revenue (Expense)</u>				
Interest and fiscal charges	(125,000)	(200,550)	(98,224)	102,326
Gain on sale of capital assets	-	4,770	4,770	-
Total Nonoperating Revenues	(125,000)	(195,780)	(93,454)	102,326
Income (Loss) Before Transfers	632,400	512,327	179,720	(332,607)
<u>Contributions and Transfers</u>				
Transfers (out)	(95,000)	(49,527)	(49,527)	-
Total Contributions and Transfers	(95,000)	(49,527)	(49,527)	-
Net Change in Net Position	\$ 537,400	\$ 462,800	130,193	\$ (332,607)
Beginning net position			10,833,746	
		Ending Net Position	\$ 10,963,939	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * The City does not budget depreciation expense.

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CITY OF BUNKER HILL VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES

IN NET POSITION - BUDGET AND ACTUAL

SOLID WASTE FUND (BUDGETARY BASIS)

For the Year Ended December 31, 2021

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
<u>Operating Revenues</u>				
Solid waste service	\$ 464,858	\$ 506,567	\$ 482,292	\$ (24,275)
Total Operating Revenues	464,858	506,567	482,292	(24,275)
<u>Operating Expenses</u>				
Sanitation	456,491	497,200	496,646	554
Total Operating Expenses	456,491	497,200	496,646	554
Operating Income (Loss)	8,367	9,367	(14,354)	(23,721)
Net Change in Net Position	\$ 8,367	\$ 9,367	(14,354)	\$ (23,721)
Beginning net position			167,677	
		Ending Net Position	\$ 153,323	

Notes to Supplementary Information:

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

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